

CASE

NUMBER:

99-294

INDEX FOR CASE: 99-294
SOUTHERN MASON COUNTY WATER DISTRICT
Rates - ARF

IN THE MATTER OF THE ALTERNATIVE RATE FILING OF SOTHERN
MASON COUNTY WATER DISTRICT

SEQ NBR	ENTRY DATE	REMARKS
0001	07/08/99	Application.
0002	07/12/99	Acknowledgement letter.
0003	07/20/99	No deficiencies letter
0004	08/26/99	Staff Report Order; comments or requests for hearing/IC, if any, due 9/7/99.
0005	10/05/99	Final Order adopting the findings contained in the Staff Report.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-294
SOUTHERN MASON COUNTY WATER DISTRICT

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on October 5, 1999.

Parties of Record:

Martin Hallerman
Chairman
Southern Mason County Water
District
P. O. Box 70
232 Mary's Avenue
Mays Lick, KY. 41055

Stephanie Bell

Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTHERN MASON)
COUNTY WATER DISTRICT FOR A RATE) CASE NO.
ADJUSTMENT PURSUANT TO THE ALTERNATIVE) 99-294
RATE FILING PROCEDURE FOR SMALL UTILITIES)

ORDER

On July 8, 1999, Southern Mason County Water District ("Southern Mason") filed an application for Commission approval of proposed rates. The proposed rates for water service would generate additional annual revenues of \$24,506, an increase of 11.75 percent above normalized operating revenues.

By Order dated August 26, 1999, the Commission issued a Staff Report that was prepared upon review of Southern Mason's test-year operations. Staff's report recommended that Southern Mason's requested increase be granted. The Order granted 10 days to file written comments regarding the Staff Report or requests for a hearing or informal conference. No such comments or requests were made.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record, are reasonable, and should be adopted as the findings of the Commission.

2. The rates in Appendix A will produce annual revenue from water sales of \$233,158.


IT IS THEREFORE ORDERED that:

1. The findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.
2. The rates in Appendix A are approved for service rendered by Southern Mason on and after the date of this Order.
3. Within 30 days of the date of this Order, Southern Mason shall file with the Commission its revised tariff setting out the rates approved herein.
4. Three years from the date of this Order Southern Mason shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Done at Frankfort, Kentucky, this 5th day of October, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-294 DATED OCTOBER 5, 1999

The following rates and charges are prescribed for the customers in the area served by Southern Mason County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First	1,000 gallons	\$10.67	Minimum bill
Next	4,000 gallons	4.81	per 1,000 gallons
Next	5,000 gallons	3.95	per 1,000 gallons
Over	10,000 gallons	3.52	per 1,000 gallons
Leak Adjustment		1.91	per 1,000 gallons

Nonrecurring Charges

Returned Check Fee	\$17.50
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COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

August 26, 1999

Martin Hallerman
Chairman
Southern Mason County Water
District
P. O. Box 70
232 Mary's Avenue
Mays Lick, KY. 41055

RE: Case No. 99-294

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTHERN MASON)
COUNTY WATER DISTRICT FOR A RATE) CASE NO.
ADJUSTMENT PURSUANT TO THE ALTERNATIVE) 99-294
RATE FILING PROCEDURE FOR SMALL UTILITIES)

ORDER

On July 8, 1999, Southern Mason County Water District ("Southern Mason") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of Southern Mason's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 26th day of August, 1999.

ATTEST:

By the Commission


Executive Director

STAFF REPORT
ON
SOUTHERN MASON COUNTY WATER DISTRICT
CASE NO. 99-294

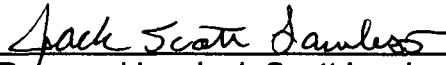
Pursuant to a request by Southern Mason County Water District ("Southern Mason") for assistance with the preparation of a rate application, Commission Staff ("Staff") performed a limited financial review of Southern Mason's test year operations, the calendar year ending December 31, 1997. The scope of Staff's review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operation. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.


Upon completion of the review, Staff assisted Southern Mason in the development and preparation of a rate application. The application included an adjusted pro forma operating income statement wherein adjustments were made to test year operating revenues and expenses that were known and measurable and deemed to be reasonable. The rates proposed in the application were based on the pro forma income statement as shown in Appendix A of the application. The revenue requirement calculation is included in the application as Appendix B. The rates proposed to meet the \$233,158 revenue requirement were developed using the cost of service study included in the application as Appendix D. The proposed rates will generate \$24,506 in additional annual revenues or 11.75 percent over normalized revenues from current rates.

On July 8, 1999, Southern Mason submitted the rate application that was prepared under the supervision of Staff to the Commission for consideration. Staff is

hereby adopting the contents of that application as its recommendations in this report as if fully set out herein. Renee Curry is responsible for all revenue adjustments and the cost of service study. Scott Lawless is responsible for the determination of the revenue requirement. Based on the information included in Southern Mason's application, Staff is of the opinion that the rates proposed by Southern Mason as shown in Attachment A of this report are reasonable and should be approved by this Commission.

Signatures


Prepared by: Jack Scott Lawless, CPA
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis


Prepared by: Renee Curry
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO. 99-294
STAFF'S RECOMMENDED RATES

Monthly Water Rates

First	1,000 gallons	\$10.67 Minimum Bill
Next	4,000 gallons	4.81 per 1,000 gallons
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COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 20, 1999

Martin Hallerman
Chairman
Southern Mason County Water
District
P. O. Box 70
232 Mary's Avenue
Mays Lick, KY. 41055

RE: Case No. 99-294
SOUTHERN MASON COUNTY WATER DISTRICT

The Commission staff has reviewed your application in the above case and finds that it meets the minimum filing requirements. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Southern Mason County Water District
Mailing Address - P.O. Box 70
Mays Lick, Kentucky 41055
Office Location - 232 Mary's Avenue
Flemingsburg, Kentucky 41041

FILED

June 30, 1999

JUL - 8 1999

RECEIVED
JUL - 8 1999
PUBLIC SERVICE
COMMISSION

Hon. Helen C. Helton, Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

**PUBLIC SERVICE
COMMISSION**

CASE
99-294

Re: Alternative Rate Adjustment Application

Dear Ms. Helton:

I am enclosing the filing according to the Alternative Rate Adjustment Procedure for Small Utilities (807 KAR 5:076) for Southern Mason County Water District ("Southern Mason").

A copy of the notice to Southern Mason's customers was published in the Maysville Ledger-Independent Saturday, July 3, 1999, and will be published the same day for the following two weeks also.

I hereby reference the annual reports filed at the Commission's office for inclusion with this application. Also, I request a deviation from filing these additional copies of the reports with the application and copies filed with the Executive Director's office, as the Commission is permitted to deviate from the above referenced regulation according to 807 KAR 5:076, Section 7.

Southern Mason County Water District


Martin Halleran, Chairman



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 12, 1999

Martin Hallerman
Chairman
Southern Mason County Water
District
P. O. Box 70
232 Mary's Avenue
Mays Lick, KY. 41055

RE: Case No. 99-294
SOUTHERN MASON COUNTY WATER DISTRICT
(Rates - ARF)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received July 8, 1999 and has been assigned Case No. 99-294. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/jc

Southern Mason County Water District
Mailing Address - P.O. Box 70
Mays Lick, Kentucky 41055
Office Location - 232 Mary's Avenue
Flemingsburg, Kentucky 41041

FILED

June 30, 1999

JUL - 8 1999

RECEIVED
JUL - 8 1999
PUBLIC SERVICE
COMMISSION

Hon. Helen C. Helton, Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

PUBLIC SERVICE
COMMISSION

CASE
99-294

Re: Alternative Rate Adjustment Application

Dear Ms. Helton:

I am enclosing the filing according to the Alternative Rate Adjustment Procedure for Small Utilities (807 KAR 5:076) for Southern Mason County Water District ("Southern Mason").

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Southern Mason County Water District


Martin Halleran, Chairman

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

SOUTHERN MASON COUNTY WATER DISTRICT

<u>Mailing Address</u>	<u>Name of Utility</u>	<u>Office Location</u>
P. O. Box 70		232 Mary's Avenue
Mays Lick, KY 41055		Flemingsburg, KY 41041
<u>Business Mailing Address</u>		
Telephone Number	606 / 845-0555	
	Area Code	Number

I. Basic Information

NAME, TITLE, ADDRESS and telephone number of the person to whom correspondence or communications concerning this application should be directed:

NAME: Martin Halleran, Chairman

Address: 5384 Laytham Pike

Mays Lick, KY 41055

Telephone Number: 606-763-6742

- | | | | |
|----|---|--------------------------------------|-------------------------------------|
| 1) | Do you have 500 customers or fewer?
Test Period, Calendar Year 1997 Average - 490 | Yes | <input checked="" type="radio"/> No |
| 2) | Do you have \$300,000 in Gross
Annual Revenue or less? | <input checked="" type="radio"/> Yes | No |
| 3) | Has the utility filed an annual report with
this Commission for the past year and the
two previous years? | <input checked="" type="radio"/> Yes | No |
| 4) | Are the utility's records kept separate from
any other commonly-owned enterprise?
Not Applicable | <input checked="" type="radio"/> Yes | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for this rate revision is the one filed with the Commission for the 12 months ending December 31, 1997.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

<u>Item Per</u> <u>Annual Report</u>	<u>Amount Per</u> <u>Annual Report</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Adjusted</u> <u>Amount</u>
<u>Revenue</u>	\$ _____	\$ _____	\$ _____
Total Revenue	\$ _____	\$ _____	\$ _____

See Appendix A

Expense

Total Expense	\$ _____	\$ _____	\$ _____
Revenue Less Expense	\$ _____	\$ _____	\$ _____

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

See Appendix A

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
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See Appendices C & D

III. Other Information

a. Please complete the following questions:

- 1) Please describe any events or occurrences which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

See Appendices A & B

2) Total number of customers as of the date of filing: 534

3) Total amount of increased revenue requested: \$24,506

4) Please circle Yes or No:

- a) Does the utility have outstanding indebtedness? Yes No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage

agreements, etc. See FHA Loan documentation approved in Case No. 92-290, Order Dated August 10, 1992 by the Commission

- b) Were all revenues and expenses on file at the KPSC office. listed in the Annual Report for 19 97 incurred and collected from January 1 to December 31 of that year? Yes No

If no, list total revenue and total expense incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

- 5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 19 97 and the amount shown on this schedule.

See 1997 Annual Report filed with Commission and Appendix A.

- 6) If utility is a sewer utility:
Not Applicable, water utility
- a) Attach a copy of the latest State and Federal Income Tax Returns.
- b) How much of the utility plant was recovered through the sale of lots or other contributions _____ \$ or %? (If unknown, state the reason.)

- b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

See Appendix B

IV. Billing Analysis

The billing analysis is the chart reflecting ^{See Appendices C & D} the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using a declining block rate design. This billing analysis is not intended for companies using a flat rate design.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns numbered 2 and 3 are completed by using information obtained from usage records.

Columns numbered 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1st 2,000 gallons minimum bill rate level
432 Bills
518,400 gallons used
All bills use 2,000 gallons or less, therefore,
all usage is recorded in Column 4.

Step 2: Next 3,000 gallons rate level
1,735 Bills
4,858,000 gallons used
1st 2,000 minimum x 1,735 bills = 3,470,000
gallons - record in Column 4
Next 3,000 gallons - remainder of water over
2,000 = 1,388,000 - record in Column 5

Step 3: Next 10,000 gallons rate level
1,830 Bills
16,268,700 gallons used
1st 2,000 minimum x 1,830 bills = 3,660,000
gallons - record in Column 4
Next 3,000 gallons x 1,830 bills = 5,490,000
gallons - record in Column 5
Next 10,000 gallons - remainder of water over 3,000
= 7,118,700 gallons - record in Column 6

Step 4: Next 25,000 gallons rate level
650 Bills
15,275,000 gallons used
1st 2,000 minimum x 650 bills = 1,300,000
gallons - record in Column 4
Next 3,000 gallons x 650 bills = 1,950,000
gallons - record in Column 5
Next 10,000 gallons x 650 bills = 6,500,000
gallons - record in Column 6
Next 25,000 gallons - remainder of water over 10,000
= 5,525,000 gallons - record in Column 7

Step 5: Over 40,000 gallons rate level
153 Bills
9,975,600 gallons used
1st 2,000 minimum x 153 bills = 306,000
gallons - record in Column 4
Next 3,000 gallons x 153 bills = 459,000
gallons - record in Column 5
Next 10,000 gallons x 153 bills = 1,530,000
gallons - record in Column 6
Next 25,000 gallons x 153 bills = 3,825,000
gallons - record in Column 7
Over 40,000 gallons - remainder of water over 25,000
= 3,855,600 gallons - record in Column 8

Step 6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains revenue produced.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, Kentucky 40602

Telephone: 502/564-3940

c. One copy of the completed application should also be sent at the same time to:

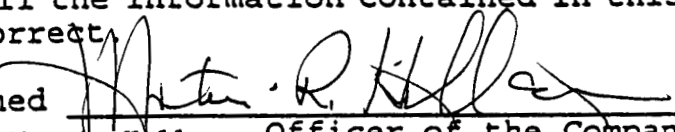
Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation. See attached copy of notice

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502/564-3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed



Martin Halleran Officer of the Company

Title Chairman

Date 6-30-99

APPENDIX A
STAFF ASSISTANCE
SOUTHERN MASON'S RECOMMENDED OPERATIONS

	Test Year <u>1997</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Requested Operations</u>
Operating Revenues:				
Retail Water Sales	\$ 201,645	\$ 7,007	A	\$ 208,652
Other Operating Revenue	10,805	(10,805)	B	-
Total Operating Revenues	<u>\$ 212,450</u>	<u>\$ (3,798)</u>		<u>\$ 208,652</u>
Operating Expenses:				
Salaries & Wages - Employees	36,424	(914)	G	35,510
Salaries & Wages - Officers	4,200	-		4,200
Employee Pensions & Benefits	727	3,050	J	3,777
Purchased Water	81,875	464	C	82,339
Purchased Power	2,204	(185)	D	2,019
Materials & Supplies	15,183	(8,810)	B,E	6,373
Contr. Svcs. - Accounting	2,307	(357)	H	1,950
Contr. Svcs. - Other	-	12,673	F,I	12,673
Rents	1,381	-		1,381
Transportation Expenses	25,543	(22,067)	F	3,476
Insurance	6,883	(3,762)	B,K	3,121
Regulatory Comm. Expense	-	289	L	289
Bad Debt Expense	-	-		-
Miscellaneous Expense	4,492	(844)	L	3,648
Total Oper. And Maint. Expenses	<u>\$ 181,219</u>	<u>\$ (20,463)</u>		<u>\$ 160,756</u>
Depreciation Expense	29,994	1,580	M	31,574
Amortization Expense	686	(686)	N	-
Taxes Other Than Income	5,442	(2,404)	O	3,038
Total Operating Expenses	<u>\$ 217,341</u>	<u>\$ (21,973)</u>		<u>\$ 195,368</u>
Net Operating Income	<u>\$ (4,891)</u>	<u>\$ 18,175</u>		<u>\$ 13,284</u>
Other Income (Expense):				
Interest Income - unrestricted	1,991	(1,761)	P	230
Income Available to Service Debt	<u>\$ (2,900)</u>	<u>\$ 16,414</u>		<u>\$ 13,514</u>

Appendix A
Staff Assistance
Southern Mason's Recommended Operations

A. Retail Water Sales

Retail water sales have been adjusted for tap-on fees which should have been classified as Contributions in Aid of Construction ("CIAC") and adjusted to equal a billing analysis prepared by Commission Staff ("Staff") for Southern Mason Water District ("Southern Mason"). Additionally, retail water sales have been normalized to include 57 new customers since Staff's billing analysis was generated for 1997. The application of the above mentioned adjustments are scheduled below and result in a normalized retail water sales of \$208,652.

Total 1997 Retail Water Sales per annual report to the Commission	\$201,645
Less: Tap-on / Meter installation fees	(13,760)
Add: Adjustment to Staff's billing analysis	2,730
Average usage for 57 new customers at an average usage of 5,000 gallons (57 X 12 X \$26.37/month)	18,037
Pro Forma 1997 revenue normalized with 57 new customers through 3/9/99	\$208,652

B. Other Operating Revenue

Other Operating Revenue has been adjusted to reclassify amounts, which should have been recorded to different accounts. First, an amount should have been recorded as CIAC from a receipt of a Farmers Home Administration grant. Next, an amount should have been posted as an offset to materials and supplies for a collection from a customer for an additional cost of pipe than was originally requested for his project (larger pipe requested than necessary). Finally, an amount should have been posted as an offset to insurance for workers' compensation reimbursement from a prior year audit settlement. As shown in the schedule below, the afore mentioned adjustments reduce other operating revenue to \$-0-.

Other Operating Revenue per 1997 annual report to the Commission	\$10,805
Less: Grant proceeds reclassified to CIAC	(7,700)
Materials & Supplies reimbursement	(2,872)
Workers' Compensation reimbursement	(233)
Pro Forma Other Operating Revenue	\$-0-

C. Purchased Water

During the calendar year 1997 test period, Southern Mason experienced a 28 percent line loss, with 3 percent accounted for as estimated water used by Southern Mason. This factor exceeds the 15 percent allowable line loss maximum that Commission practice accepts for rate making purposes. An additional factor entering into the calculation of pro forma purchased water include normalization for a purchased water adjustment from a wholesale rate

Appendix A
Staff Assistance
Southern Mason's Recommended Operations

increase by Western Fleming County Water District ("W. Fleming") effective February 1, 1999. Another factor used to calculate pro forma purchased water was a wholesale rate adjustment filed by the city of Maysville, effective March 15, 1999. As a result of applying the above mentioned adjustments, normalizing usage for the new customers (as reflected in normalized sales), and limiting the line loss to the 15 percent maximum allowed by the Commission, the pro forma purchased water is \$82,339.

Normalized Water Sales - in thousand gallons – including new customers	47,151
Divided by 85%	<u>÷ 85%</u>
Allowable Purchased Water – in thousand gallons	<u>55,472</u>
New rates - Maysville \$1.4876	
Usage volume <u>99%</u>	\$1.4727
- W. Fleming \$ 1.16	
Usage volume <u>1%</u>	<u>\$0.0116</u>
Average rate per thousand gallons	<u>\$1.4843</u>
Allowable Pro Forma Purchased Water	
Cost Per Calculation	\$82,339
Amount reported on 1997 annual report to Commission	<u>(81,875)</u>
Pro Forma Adjustment	\$ 464

D. Purchased Power

Staff prepared a summary of utility invoices complete with accrual adjustments from the beginning of the year and for the end of the year. Additionally, based on discussion with Southern Mason's management, electricity costs for the lighting at the loading station have been eliminated, since this account has been closed. The above adjustments to the amount reported by the utility on the annual report to the Commission result in a net pro forma decrease of \$(185) to Purchased Power.

Annual computed expenses to Kentucky Utilities:	
Mays Lick Pump House	\$1,812
Helena Road Water Tower	56
Annual computed expenses to Fleming-Mason RECC:	
Pump House	\$ 73
Lighting-Loading Station	198
Water Tower	<u>78</u>
TOTAL	<u>\$2,217</u>
Eliminate lighting-loading station	<u>(198)</u>

Appendix A
Staff Assistance
Southern Mason's Recommended Operations

Pro Forma Adjusted Total	\$2,019
Amount reported to Commission on 1997 annual report	<u>\$2,204</u>
Pro Forma Adjustment	\$ (185)

E. Materials and Supplies

Based on Staff's analysis of Materials and Supplies, several items have been reclassified where they should have been posted to different accounts. First, as mentioned in note A, a customer reimbursement was collected for pipe cost in excess of that which was necessary to provide the service requested. The pipe cost corresponding to this reimbursement is in Materials and Supplies. Next, certain costs for transmission and distribution mains, which should have been classified as plant are included in Materials and Supplies. Also, costs of meters and meter installation equipment, which should have been classified as plant are included in Materials and Supplies. The purchase of 7 ½ horsepower Peerless pump was included in this account and should be capitalized as plant. Finally, the costs of office supplies and postage belong in Materials and Supplies for a class C water utility according to the Uniform System of Accounts ("USoA") and these costs are being reclassified from Miscellaneous Expense. Considering all the above mentioned adjustments, a net decrease to pro forma operating expenses in the amount of \$(8,810) results.

Amount reported to Commission on 1997 annual report	<u>\$15,183</u>
Add: Office supplies and postage recorded as Miscellaneous Expense	1,067
Less: Customer reimbursement reclassified from Other Water Revenue	(2,872)
Costs of Transmission and Distribution Mains to reclassify as plant	(3,283)
Costs of Meters & Meter Installation Equipment to reclassify as plant	(3,042)
Cost of 7 ½ horsepower Peerless pump to reclassify to plant	<u>(680)</u>
Net Pro Forma Adjustments	<u>\$ (8,810)</u>
Pro Forma Balance	\$ 6,373

F. Transportation Expenses

Generally, transportation expenses for Southern Mason consist of 25 cents per mile reimbursements to manager Scotty Gulley for business use of his personal vehicle. However, during 1997, expenditures were posted to this account which should have been posted to other account classifications.

Expense reimbursements to Scotty Gulley (including

Appendix A
Staff Assistance
Southern Mason's Recommended Operations

\$35 per hour for backhoe services and \$6 per hour for outside labor hired).	\$22,176
Add: Other transportation expenses reimbursed to Mr. Gulley and Commissioners .	225
Less: Capitalizeable hired labor and backhoe services for meter installations included in Mr. Gulley's reimbursements.	\$(4,725)
Costs to be reimbursed by BMW. Construction for water line damages while installing gas lines (amounts included in Mr. Gulley's reimbursements).	(1,884)
Amounts to reclassify outside services for hired labor and backhoe services for water line repairs and maintenance included in Mr. Gulley's reimbursements.	<u>(12,316)</u>
Allowable Transportation Expenses	\$ 3,476
Amount reported to Commission on 1997 annual report	<u>\$(25,543)</u>
Pro Forma Adjustment	\$(22,067)

G. Salaries & Wages

Mr. Scotty Gulley is paid \$700 per month for general management and being on call 24 hours per day. Additionally, he is paid \$9 per hour for being the maintenance operator of the system. Mrs. Patty Gulley is paid \$500 per month for doing the bookkeeping, billing and assisting Mr. Gulley with meter reading.

Scotty Gulley	\$30,424
Patty Gulley	<u>6,000</u>
Amount reported to Commission on 1997 annual report	\$36,424
Less: Work performed by Scotty Gulley to be reimbursed by BMW Construction for line damages (101.5 hours X \$9 per hour).	<u>(914)</u>
Pro Forma Balance	\$35,510

H. Outside Services – Accounting

Amounts were misclassified to Outside Services – Accounting for water testing and a collection fee.

Outside Services – Accounting – James Smith, CPA	\$1,950
Amount reported to Commission on 1997 annual report	<u>2,307</u>
Pro Forma Adjustment	(\$357)

Appendix A
Staff Assistance
Southern Mason's Recommended Operations

I. Outside Services – Other

Amounts misclassified as Transportation Expenses for hired labor and backhoe services in maintaining the system, as well as, water testing and collection fees included with Outside Services – Accounting should be included in this account.

Amounts to reclassify to Outside Services for hired labor and backhoe services for water line repairs and maintenance included in Mr. Gulley's reimbursements (misposted as Transportation Expenses).	\$12,316
Amounts to reclassify from Outside Services – Accounting, for water testing and collection fees.	<u>357</u>
Pro Forma Balance	\$12,673

J. Employee Pension

Employee benefits include health and dental insurance per discussion with management.

Amount reported to Commission on 1997 annual report	\$ 727
Less: Expenses that should have been included in Miscellaneous	(727)
Add: Employee health insurance at the most recent premium for 12 months (\$286.38 X 12)	3,437
Employee dental insurance at the most recent premium for 12 months (\$28.30 X 12)	<u>340</u>
Pro Forma Balance	\$ 3,777

K. Insurance

Insurance expense includes workers compensation, property and general liability and employee/Commissioner bond insurance.

Amount reported to Commission on 1997 annual report	\$ 6,883
Less: Reclassification of health and dental insurance included in this account in 1997.	(3,209)
Reclassification of excess prior year workers compensation premium misposted as Other Operating Revenue.	(233)
Adjustment to restate workers compensation expense to most recent billing statement, net of prior year overpayment refunded.	<u>(320)</u>

Appendix A
Staff Assistance
Southern Mason's Recommended Operations

Pro Forma Balance \$3,121

L. Miscellaneous Expense

Based on Staff's analysis of the Miscellaneous Expense, several items have been reclassified where they should have been posted to different accounts.

Amount reported to Commission on 1997 annual report	\$4,492
Add: Amount reclassified from USoA account 604, Employee Pensions and Benefits	727
Less: Items to reclassify to accounts other than Miscellaneous Expense:	
Office Supplies & Postage to USoA account 620, Materials and Supplies	(1,067)
Taxes – PSC assessment to Regulatory Commission Expenses, USoA account 665	(289)
Customer Deposit Interest, to Interest Expense, USoA account 427	<u>(215)</u>
Pro Forma Balance	<u>\$3,648</u>

M. Depreciation Expense

For rate making purposes, 1997 annual depreciation for 1997 plant placed in service had to be annualized. Then, there are adjustments to reclassify capital expenditures misposted as Materials and Supplies, as well as, Transportation Expenses that benefit Southern Mason over different useful lives. Depreciation had to be determined for these items, too. The net result of the above normalization, capitalization and depreciation is an pro forma increase to depreciation expense of \$1,580.

Amount reported to Commission on 1997 annual report	\$ 29,994
Depreciation normalization where 1997 plant additions were only depreciated for ½ year in 1997.	1,236
Additions for plant reclassified from other accounts:	

<u>Asset Description</u>	<u>Estimated Useful Life</u>	<u>Cost</u>	
Transmission & Distribution Mains (Materials & Supplies)	40 years	\$3,283	82
Meters & Installations (Materials & Supplies)	40 years	3,042	76
Meters & Installations			

Appendix A
Staff Assistance
Southern Mason's Recommended Operations

(Transportation Expense)	40 years	4,725	118
Other Equip. (7 ½ HP Peerless pump - Materials & Supplies)	10 years	680	<u>68</u>
Net Pro Forma Adjustments			<u>\$ 1,580</u>
Pro Forma Balance			\$ 31,574

N. Amortization Expense

This expense is amortization of financing costs on long-term debt, which is not allowable as an operating cost for rate making purposes, since these costs are recovered through the debt service coverage portion of the revenue requirement calculation. Accordingly, Amortization Expense has been eliminated in the amount of \$(686).

O. Taxes Other Than Income

This account represents payroll taxes on employees' salaries and wages, as well as, Commissioners' salaries. The pro forma decrease to this account in the amount of \$(2,404) is computed as follows:

Salaries and Wages (Note G)	\$35,510
Commissioners' Salaries (also referred to as Salaries and Wages – Officers)	<u>4,200</u>
Total Salaries and Wages	\$39,710
Payroll taxes:	
FICA at 6.20%	\$ 2,462
OASDI at 1.45	<u>576</u>
Payroll taxes, computed	\$ 3,038
Amount reported to Commission on 1997 annual report	<u>\$ (5,442)</u>
Pro Forma Adjustment	\$ (2,404)

P. Interest Income – Unrestricted

Past Commission practice has been to only reduce a revenue requirement for rate making purposes by the unrestricted portion of Interest Income. The average of the beginning and end of the year unrestricted cash balances was \$6,786, or 11.54% of the average of total restricted and unrestricted cash.

Total Interest Income for 1997	\$ 1,991
Average % unrestricted	<u>11.54%</u>
Unrestricted Interest Income – computed	230
Amount reported to Commission on 1997 annual report	<u>\$ (1,991)</u>
Pro Forma Adjustment	\$ (1,761)

APPENDIX B
SOUTHERN MASON WATER DISTRICT
STAFF RECOMMENDED REVENUE REQUIREMENT

12/31/97

Three Year Average Debt Service, 1999 through 2001	\$ 31,683
Plus: Debt Service Coverage of 20%	6,337
Operating Expenses	<u>\$ 195,368</u>
Less: Interest Earned on Unrestricted Funds	(230)
Miscellaneous	-
Total Revenue Required from Rates	<u>\$ 233,158</u>
Less: Normalized Test Year Revenue From Rates	<u>\$ (208,652)</u>
Required Increase (Decrease)	<u>11.75% \$ 24,506</u>

Appendix C

**Billing Analysis Summary for: Southern Mason Water District
Test Period from: January 1997 - December 1997**

	Gallons Sold	Revenue
Meter	41,765,000	\$195,024.66
Field Connection	2,485,000	\$9,275.70
Leak Adjustments	2,901,000	\$4,351.50
Total	47,151,000	\$208,651.86

Appendix C

BILLING ANALYSIS FOR: SOUTHERN MASON WATER DISTRICT
 TEST PERIOD FROM: January 1997 - December 31, 1997
 USAGE TABLE

CLASS: USAGE	BILLS	GALLONS	FIRST	NEXT	NEXT	OVER	TOTAL
FIRST 1,000	1,088	683,000	1,000	4,000	5,000	10,000	683,000
NEXT 4,000	3,257	12,195,000	3,257,000	8,938,000			12,195,000
NEXT 5,000	1,157	8,531,000	1,157,000	4,628,000	2,746,000		8,531,000
OVER 10,000	656	20,356,000	656,000	2,624,000	3,280,000	13,796,000	20,356,000
TOTAL	6,158	41,765,000	5,753,000	16,190,000	6,026,000	13,796,000	41,765,000

REVENUE TABLE
 CURRENT RATES
 REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST 1,000	6,158	5,753,000	\$11.65	\$71,740.70
NEXT 4,000		16,190,000	3.68	59,579.20
NEXT 5,000		6,026,000	3.36	20,247.36
OVER 10,000		13,796,000	3.15	43,457.40
TOTAL	6,158	41,765,000		\$195,024.66

Appendix C

BILLING ANALYSIS FOR: SOUTHERN MASON WATER DISTRICT
 TEST PERIOD FROM: January 1997 - December 31, 1997
 USAGE TABLE- COMBINED

CLASS:	USAGE	BILLS	GALLONS	FIRST	NEXT	NEXT	OVER	TOTAL
FIRST	1,000	1,202	703,000	1,000	4,000	5,000	10,000	703,000
NEXT	4,000	3,309	12,358,000	3,309,000	9,049,000			12,358,000
NEXT	5,000	1,193	8,806,000	1,193,000	4,772,000	2,841,000		8,806,000
OVER	10,000	711	22,383,000	711,000	2,844,000	3,555,000	15,273,000	22,383,000
TOTAL		6,415	44,250,000	5,916,000	16,665,000	6,396,000	15,273,000	44,250,000

REVENUE TABLE

REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	1,000	5,916,000	\$13.40	\$85,961.00
NEXT	4,000	16,665,000	2.35	39,162.75
NEXT	5,000	6,396,000	2.20	14,071.20
OVER	10,000	15,273,000	1.65	25,200.45
TOTAL	6,415	44,250,000		\$164,395.40

Appendix C

BILLING ANALYSIS FOR: SOUTHERN MASON WATER DISTRICT
 TEST PERIOD FROM: JANUARY 1997- DECEMBER 1997

USAGE TABLE
 FIELD CONNECTIONS

CLASS:	BILLS	GALLONS	FIRST	NEXT	NEXT	OVER	TOTAL
FIRST	114	20,000	1,000	4,000	5,000	10,000	20,000
NEXT	52	163,000	52,000	111,000			163,000
NEXT	36	275,000	36,000	144,000	95,000		275,000
OVER	55	2,027,000	55,000	220,000	275,000	1,477,000	2,027,000

TOTAL 257 2,485,000 163,000 475,000 370,000 1,477,000 2,485,000

REVENUE TABLE
 CURRENT RATES
 REVENUE BY RATE INCREMENT

BILLS	GALLONS	RATE	REVENUE
1,000	163,000	\$6.35	\$1,631.95
4,000	475,000	3.68	1,748.00
5,000	370,000	3.36	1,243.20
10,000	1,477,000	3.15	4,652.55

TOTAL 257 2,485,000 \$9,275.70

Appendix C

BILLING ANALYSIS FOR: SOUTHERN MASON WATER DISTRICT
 TEST PERIOD FROM: JANUARY 1997 - DECEMBER 1997
 USAGE TABLE

CLASS:	USAGE	BILLS	GALLONS	FIRST	OVER	TOTAL
FIRST	2,000	0	0	0	0	0
OVER	2,000	61	2,901,000	0	2,901,000	2,901,000

TOTAL	61	2,901,000	0	2,901,000	2,901,000
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REVENUE TABLE
 CURRENT RATES
 REVENUE BY RATE INCREMENT

	BILLS	GALLONS	RATE	REVENUE
FIRST	0	61	\$0.00	\$0.00
OVER	0	2,901,000	1.50	4,351.50

TOTAL	61	2,901,000		\$4,351.50
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Appendix D

Cost of Service Study

Rate Allocations	Sheet 1 - Sheet 5
Verification of Rates	Sheet 6
Proposed Rates	Sheet 7
Comparision of Current and Proposed Rates	Sheet 8 - Sheet 9

Appendix D

ALLOCATION OF PLANT VALUE

Southern Mason Water District

	Total	Commodity	Demand	Customer
Franchises	\$4,726		\$4,726	
Land & Land Rights	6,250		6,250	
Water Treatment Equipment	5,801		5,801	
Distribution Reservoirs & Standpipes	281,698		281,698	
Transmission & Distribution Mains	825,225		825,225	
Services	5,066			5,066
Meters & Meter Installation	48,003			48,003
Hydrants	1,665			1,665
Subtotal	\$1,178,434	\$0	\$1,123,700	\$54,734
Allocation Percentages (1)	100%		95%	5%
Office Furniture & Equipment	\$5,356	\$0	\$5,088	\$268
Tool, Shop & Garage Equip	333		316	17
Other Tangible Plant	2,756		2,618	138
Total	\$1,186,879	\$0	\$1,131,722	\$55,157
Percentages	100%		95%	5%

Appendix D

ALLOCATION OF DEPRECIATION

Southern Mason Water District

	Total	Commodity	Demand	Customer
Structures & Improvements	\$156		\$156	
Pumping Equipment	\$122		\$122	
Distribution Reservoirs & Standpipes	7,042		7,042	
Trans & Dist Mains	20,034		20,034	
Services	127			127
Meters	1,135			1,135
Hydrants	42			42
Subtotal	\$28,658	\$0	\$27,354	\$1,304
Allocation Percentages (1)	100%		95%	5%
Office Furniture & Equipment	\$894	\$0	\$849	\$45
Tool, Shop & Garage Equip	48	0	46	2
Other Tangible Plant	394	0	374	20
Total	\$29,994	\$0	\$28,623	\$1,371
Percentages	100%		95%	5%

Appendix D

ALLOCATION OF OPERATION AND MAINTENANCE EXPENSES

Southern Mason Water District

	Total	Commodity	Demand	Customer
Salaries	\$35,510		\$17,755	\$17,755
Benefits	3,777		1,889	1,889
Materials and Supplies	6,373		6,373	
Purchased Water	82,339	82,339		
Purchased Power	2,019	2,019		
Subtotal	\$130,018	\$84,358	\$26,017	\$19,644
Less Commodity	(84,358)			
Total	\$45,660		\$26,017	\$19,644
Allocation Percentages	100.00%		56.98%	43.02%
Administrative & General				
Commissioner Salaries	4,200		2,393	1,807
Contractual Services				
Accounting	1,950		1,111	839
Other	12,673		7,221	5,452
Rents	1,381		787	594
Transportation	3,476		1,981	1,495
Insurance	3,121		1,778	1,343
Miscellaneous	3,648		2,079	1,569
Reg Com Expense	289		165	124
Taxes	3,038		1,731	1,307
Subtotal	\$33,776		19,246	14,530
Subtotal	\$163,794	\$84,358	\$45,263	\$34,174
Depreciation(1)	\$31,574		\$29,995	\$1,579
Less:				
Interest Income	(\$230)			(\$230)
Operating Expenses	\$195,138	\$84,358	\$75,258	\$35,523
1.2 Debt Service Coverage(2)	\$38,020		\$36,119	\$1,901
Total Expenses	\$233,158			

(1) Allocation of depreciation based on 95% demand and 5% customer.

(2) Allocation of debt service based on 95% demand and 5% customer.

Appendix D

Allocation of Cost of Service

Southern Mason Water District

	Total	Commodity	Demand	Customer
Operation and Maintenance	\$163,794	\$84,358	\$45,263	\$34,174
Depreciation	31,574		29,995	1,579
Debt Service	38,020		36,119	1,901
General Water Service Cost	\$233,388	\$84,358	\$111,377	\$37,654
Less: Interest Income	(230)			(230)
Leak Adjustments	(5,541)	(5,541)		
Revenue Required from Rates	\$227,617	\$78,817	\$111,377	\$37,424

CALCULATION OF WATER RATES

Southern Mason

	Total	First 1,000	Next 4,000	Next 5,000	Over 10,000
Actual Water Sales:					
Thousand Gallons	44,250,000	5,916,000	16,665,000	6,396,000	15,273,000
	100.00%	13.37%	37.66%	14.45%	34.52%
Weighted Sales for Demand:					
Thousand Gallons	64,263,750	11,832,000	29,163,750	7,995,000	15,273,000
Percent	100.00%	18.41%	45.38%	12.44%	23.77%
Allocation of Volumetric Costs:					
Commodity	\$78,817	\$10,538	\$29,682	\$11,389	\$27,208
Demand	111,377	20,505	50,543	13,855	26,474
Customer	37,424	37,424			
Total	\$227,618	\$68,467	\$80,225	\$25,244	\$53,682
Number of Bills		6,415			
Proposed Rates		\$10.67	\$4.81	\$3.95	\$3.51

Appendix D

VERIFICATION OF RATES

	Bills	Gallons	Rate	Revenue
First 1,000 gallons	6,415	5,916,000	\$10.67	\$68,448.05
Next 4,000 gallons		16,665,000	4.81	80,158.65
Next 5,000 gallons		6,396,000	3.95	25,264.20
Over 10,000 gallons *		15,273,000	3.52	53,760.96
Revenue from Rates				\$227,631.86
Leak Adjustments		2,901,000	\$1.91	\$5,540.91
Interest Income				230.00
Total Revenue		47,151,000		\$233,402.77

*Note: Over 10,000 gallons usage increased \$.01 to achieve revenue required from rates.

Appendix D

**Southern Mason Water District
Proposed Rates**

Monthly Water Rates

First	1,000 gallons	\$10.67	Minimum bill
Next	4,000 gallons	4.81	per 1,000 gallons
Next	5,000 gallons	3.95	per 1,000 gallons
Over	10,000 gallons	3.52	per 1,000 gallons
Leak Adjustment		1.91	per 1,000 gallons

COMPARISON OF RATES

Gallon Usage	Current Rates	Cost of Service Rates	Increase	Percentage
1000	\$11.65	\$10.67	-\$0.98	-9.18%
2000	15.33	15.48	0.15	0.98%
3000	19.01	20.29	1.28	6.73%
4000	22.69	25.10	2.41	10.62%
5000	26.37	29.91	3.54	13.42%
6000	29.73	33.86	4.13	13.89%
7000	33.09	37.81	4.72	14.26%
8000	36.45	41.76	5.31	14.57%
9000	39.81	45.71	5.90	14.82%
10000	43.17	49.66	6.49	15.03%
15000	58.92	67.26	8.34	14.15%
20000	74.67	84.86	10.19	13.65%
25000	90.42	102.46	12.04	13.32%
30000	106.17	120.06	13.89	13.08%
35000	121.92	137.66	15.74	12.91%
50000	169.17	190.46	21.29	12.58%
75000	247.92	278.46	30.54	12.32%
100000	326.67	366.46	39.79	12.18%
200000	641.67	718.46	76.79	11.97%

COMPARISON OF RATES

Gallon Usage	Rates with PWA	Cost of Service Rates	Increase	Percentage
1000	\$11.82	\$10.67	-\$1.15	-10.78%
2000	15.67	15.48	-0.19	-1.21%
3000	19.52	20.29	0.77	3.94%
4000	23.37	25.10	1.73	7.40%
5000	27.22	29.91	2.69	9.88%
6000	30.75	33.86	3.11	10.11%
7000	34.28	37.81	3.53	10.30%
8000	37.81	41.76	3.95	10.45%
9000	41.34	45.71	4.37	10.57%
10000	44.87	49.66	4.79	10.68%
15000	61.47	67.26	5.79	9.42%
20000	78.07	84.86	6.79	8.70%
25000	94.67	102.46	7.79	8.23%
30000	111.27	120.06	8.79	7.90%
35000	127.87	137.66	9.79	7.66%
50000	177.67	190.46	12.79	7.20%
75000	260.67	278.46	17.79	6.82%
100000	343.67	366.46	22.79	6.63%
200000	675.67	718.46	42.79	6.33%

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RTISING
 518 Maysville, Ky, 41056

2D, The Ledger-Independent, Maysville, Ky., Saturday, July 3, 1999

606-564-9091 or 1-800-264-9091

Notice

Southern Mason County Water District
 Mailing Address - P. O. Box 70
 Mays Lick, Kentucky 41055
 Office Location - 232 Mary's Avenue
 Flemingsburg, Kentucky 41041

This notice is to inform you that Southern Mason County Water District is requesting an increase in the water rates as follows:

	Existing	Proposed	Percent Increase (Decrease)
First 1,000 gallons	\$11.82 Minimum bill	\$10.67	(-9.7)%
Next 4,000 gallons	3.85 per 1,000 gallons	4.81	24.9%
Next 5,000 gallons	3.53 per 1,000 gallons	3.95	11.9%
Over 10,000 gallons	3.32 per 1,000 gallons	3.51	5.7%

The average bill - 5,000 gallons would increase from \$27.22 to \$29.91 or 9.88%.

Southern Mason is also requesting to increase its return check fee from \$5.00 to \$17.50.

The rates contained in this notice are the rates proposed by Southern Mason County Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice. Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, 730 Schenkel Lane, P. O. Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant.

Copies of the application may be obtained at no charge by contacting Southern Mason County Water District at P. O. Box 70, Mays Lick, KY 41055, or 232 Mary's Avenue, Flemingsburg, Kentucky 41041. Upon request from an intervenor, Southern Mason County Water District shall furnish to the intervenor a copy of the application and supporting documents.

Southern Mason County Water District

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Notice

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Mays Lick, Kentucky 41055
Office Location - 232 Mary's Avenue
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Next 5,000 gallons	3.53 per 1,000 gallons	3.95	11.9%
Over 10,000 gallons	3.32 per 1,000 gallons	3.51	5.7%

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Southern Mason is also requesting to increase its return check fee from \$5.00 to \$17.50.

The rates contained in this notice are the rates proposed by Southern Mason County Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice. Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate changes is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, 730 Schenkel Lane, P.O. Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant.

Copies of the application may be obtained at no charge by contacting Southern Mason County Water District at P. O. Box 70, Mays Lick, KY 41055, or 232 Mary's Avenue, Flemingsburg, Kentucky 41041. Upon request from an intervenor, Southern Mason County Water District shall furnish to the intervenor a copy of the application and supporting documents.

Southern Mason County Water District