

March 8, 2004

RECEIVED

Office of the Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, Ky. 40601-8204

MAR 08 2004

PUBLIC SERVICE
COMMISSION

Case 2004-00078

To Whom It May Concern:

We are presenting this application for a rate increase from \$15.00 a month to \$21.46.

We are asking for a waiver of Items 2 Tax Return which was previously submitted and Item 5, Record Keeping which was previously audited.

Sincerely,



William R. Pulliam



Manager

1. Review application for completeness and accuracy.
2. Attach tax returns as Attachment C to the application: As required in Application Section III, Item 6a. *WAIVER*
3. Provide notice to customers. Refer to copied regulation and statutes.
4. Follow filing instructions as detailed at Section V of the application and sign application.
5. In cover letter for application request a waiver from Section I, Item 4 concerning record keeping.

2



Longview Land Company LLC
3243 Frankfort Road
Georgetown, Ky. 40324

To: the Customers Of Longview Land Company LLC,
DBA Schinola Treatment Plant

Longview Land Company has organized a subsidiary to operate its sewage treatment facility. This company is Schinola Treatment Plant .

Longview Land company DBA as Schinola Treatment Plant is applying for a rate increase from Fifteen Dollars To Twenty One Dollars and Thirty Eight Cents.

The rates contained in this notice are the rates proposed by Schinola Treatment Plant. However, the Public Service Commission may order rates to be changed that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this notice.

Notice as to intervention. The notice made in compliance with subsection (2) of this section shall include a statement to the effect:

- (a) That any corporation, association, body politic or person may by motion within thirty days after publication or mailing of notice of the proposed rate change request leave to intervene:
- (b) That the motion shall be submitted to the Public Service Commission, 211 Sower Boulevard, PO Box 615, Frankfort, Kentucky. 40602, and shall set forth the grounds for the request including the status and interest of the party: and
- (c) That intervenors may obtain copies of the application and testimony by contracting the applicant at a name and address to be stated in the notice. A copy of the application and testimony shall be available for public inspection at the utility's offices.

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

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

MAR 09 2004
PUBLIC SERVICE
COMMISSION

Case 2004-00078

Longview Land Company, LLC
Name of Utility

3243 Frankfort Road
Georgetown, Kentucky 40234
Business Mailing Address

Telephone Number: (502) 868-0050

I. Basic Information

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

Name: William Pulliam
Address: Same as above.

Telephone Number: Same as above.

- 1) Do you have 500 customers or fewer? Yes No
- 2) Do you have \$300,000 in Gross Annual Revenue or less? Yes No
- 3) Has the utility filed an annual report with this Commission for the past year and the two previous years? Yes No
- 4) Are the utility's records kept separate from any other commonly-owned enterprise? Yes No

NOTICE: To be eligible for consideration of the 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 answered 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 procedural rules, 807 KAR 5:001.

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, 2002.
- 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 Annual Report</u>	<u>Amount Per Annual Report</u>	<u>Increase/ (Decrease)</u>	<u>Adjusted Amount</u>
<u>Revenue</u>	\$ _____	\$ _____	\$ _____
Total Revenue	\$ _____	\$ _____	\$ _____

Expense

See Attachment A

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 Attachment 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>% Increase</u>
Flat Rate Residential	\$15.00	\$21.38	42.53%

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).

2) Total number of customers as of the date of filing: 218

3) Total amount of increased revenue requested: \$16,698

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.

b) Were all revenues and expenses listed in the Annual Report for 2002 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 2002 and the amount shown on this schedule.
N/A. Recovery of depreciation not requested.
- 6) If utility is a sewer utility:
 - a) Attach a copy of the latest State and Federal Income Tax Returns. See Attachment C.
 - b) How much of the utility plant was recovered through the sale of lots or other contributions? If unknown, state the reason.

100 percent of the plant was constructed by developer and donated to sewer division.

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

Current rate is not adequate to fund operations.

IV. Billing Analysis

The billing analysis is the chart reflecting 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.

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. LLC

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

Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40601
Telephone: (502) 564-3940

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

Office of the Attorney General
Office of Rate Intervention
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601-8204
Telephone: (502) 696-5457

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

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

William R. Hillis

Officer of the Company

Title

MANAGER

Date

3/08/04

Adjusted Operating Statement for Longview Land Company, LLC Sewer Division,
Test Year Ending December 31, 2002.

	Test Year	Adjustments	Ref.	Pro forma
Operating Revenue				
Revenue from Flat Sewer Rates	\$ 35,868	\$ 3,372	A	\$ 39,240
Total Operating Revenue	<u>35,868</u>	<u>3,372</u>		<u>39,240</u>
Operating Expenses				
Operation and Maintenance				
Other Expenses	14,891			14,891
Sludge Hauling	1,215	1,080	B	2,295
Utility Service Water Costs	6,641	(308)	C	6,333
Other Labor, Materials and Expenses	8,186	(1,853)	D	6,333
Chemicals	6,828			6,828
Maintenance of Structures and Improvements	7,357	(4,437)	E	2,920
Uncollectible Accounts	5,000	(5,000)	F	-
Owner Manager Fee		3,600	G	3,600
Office Supplies and Other Expenses	730	3,470	H	4,200
Outside Services Employed	1,300			1,300
Insurance Expense	1,392	(1,392)	I	-
Maintenance of General Plant	1,025	(1,025)	J	-
Total Operation and Maintenance Expenses	54,565	(5,865)		48,700
Depreciation	22,881	(22,881)	K	-
Taxes Other Than Income	2,496	(1,970)	L	526
Total Operating Expenses	<u>79,942</u>	<u>(30,716)</u>		<u>49,226</u>
Net Operating Income	<u>\$ (44,074)</u>	<u>\$ 34,088</u>		<u>\$ (9,986)</u>

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BELKMAN

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Adjusted Operating Statement for Longview Land Company, LLC Sewer Division,
Test Year Ending December 31, 2002.

A

Test year revenues were recorded on the cash basis and is understated mainly due to uncollectible accounts. The Sewer Division is revising its filed tariff to include a shut-off policy which should eliminated its collection deficiency. The following adjustment is required to normalize revenues at present rates.

Test year end number of customers per annual report	218
Times: Monthly flat rate per customer	15
Annualize	<u>12</u>
Pro forma	39,240
Less: Test year	<u>(35,868)</u>
Adjustment	<u><u>3,372</u></u>

B

An invoice for sludge hauling from Bill's Sanitation Service paid on 11/11/02 in the amount of \$1,080 was erroneously excluded from test year expenses. This adjustment is necessary to properly reflect test year sludge hauling.

Adjustment	<u><u>1,080</u></u>
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C

Test year utilities included water and electric costs for a small sales office located within Longview Land Co., LLC's development. These amounts have been removed as they are not related to the sewer operations.

Water	(95)
Electric	<u>(213)</u>
Adjustment	<u><u>(308)</u></u>

D

During the test year the Sewer Division paid Hall and Associates \$2,192.50 for assistance in preparing a rate application to be filed with the Public Service Commission. This assistance was not completed and is not expected to produce any positive results for the Sewer Division or its customers. The Sewer Division prepared the application filed in this case with the assistance of Commission Staff. The amounts paid to Hall and Associates related to the rate application have been eliminated from test year operations.

Test year expenses do not reflect the amortization of the KPDES permit. The permit cost \$1,700 and must be renewed every 5 years. Test year expenses have been increase \$340 ($\$1,700 / 5$).

Hall and Associates	(2,193)
KPDES amortization	<u>340</u>
Adjustment	<u><u>(1,853)</u></u>

Adjusted Operating Statement for Longview Land Company, LLC Sewer Division,
Test Year Ending December 31, 2002.

E

The Sewer Division reported \$7,357 for test year Maintenance of Structures and Improvements. Of that amount \$4,436.89 was not supported by its books and records and has been eliminated.

Adjustment	<u><u>(4,437)</u></u>
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F

The Sewer Division has in the past experienced excessive uncollectible accounts. The Sewer Division is revising its tariff on file with the Commission to include a service disconnection policy for nonpayment of service. This tariff revision should eliminate uncollectible accounts. The test year expense has been removed in the pro forma.

Adjustment	<u><u>(5,000)</u></u>
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G

To adjust operating expenses to include the owner/manager fee generally allowed by the Commission for small investor owned utilities.

Adjustment	<u><u>3,600</u></u>
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H

The Sewer Division shares an office and office employee with numerous other related business operations. Direct time reporting was not used by the employee to charge actual payroll cost to the various operations. Nor were office supplies expenses directly assigned. The Sewer Division requests that the Commission allow it a level of office payroll, supplies expense and rent consisted with similarly situated utilities.

Billing and Accounting Clerk, see case 99-331	3,600
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Rent (office space, phone, computer, office supplies other than postage) \$50 per month, see cases 97-455, 97-457 and 97-458.	<u>600</u>
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Pro forma	4,200
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Less: Test year	<u>(730)</u>
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Adjustment	<u><u>3,470</u></u>
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I

The insurance premium of 1,392 was for a general liability coverage for all of Longview Land Co. LLC, the portion assignable to the Sewer Division was not determinable. The amount has been eliminated from test year operations.

Adjustment	<u><u>(1,392)</u></u>
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Adjusted Operating Statement for Longview Land Company, LLC Sewer Division,
Test Year Ending December 31, 2002.

J

Test year Maintenance of General Plant was reported at \$1,025. This amount was not supported by the books and records of the Sewer Division and has been eliminated.

Adjustment	<u><u>(1,025)</u></u>
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K

During the test year the Sewer Division reported depreciation expense of \$22,881. The Sewer Division's plant was constructed for the development of property and was or will be recovered through the sale of such property. The cost of the plant should not then be recovered through sewer rates. Upon receipt of the plant the Sewer Division should have recorded a contribution in aide of construction to be amortized annually to offset annual depreciation expense. Test year depreciation has been eliminated in the pro forma.

Adjustment	<u><u>(22,881)</u></u>
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L

During the test year the Sewer Division reported property taxes in the amount of \$2,496 paid to the Scott County's Sheriff's Office. The amount included three separate tax statements, none of which specifically stated the Sewer Division's property as the tax basis for the assessment. Judy Rankin of the Scott County Property Value Association was contacted via telephone to inquire as to the nature of the Sewer Division's property taxes. She reported that the Sewer Division did not have an assessed value and did not pay property taxes due to the small size of the plant's building. The test year amount has been eliminated.

The Sewer Division is liable to the Commonwealth of Kentucky for the Public Service Company Property Tax. The amount assessed for the test year was \$525.72. The assessment was not reflected in test year operations thus an adjustment is required.

Adjustment for Scott County Tax	(2,496)
Adjustment for Public Service Company Tax	<u>526</u>

Net Adjustment	<u><u>(1,970)</u></u>
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Attachment B

Calculation of Revenue Required from Rates and Monthly Flat Rate for Longview Land Company, LLC Sewer Division, Test Year Ending December 31, 2002.

Operating Expenses	\$ 49,226
Divide by: Operating Ratio	<u>88%</u>
Total Revenue Required	55,938
Divide by: Number of Customers	<u>218</u>
Annual Requirement Per Customer	256.60
Divide by: 12 Months	<u>12</u>
Monthly Flat Rate Per Customer	<u><u>\$ 21.38</u></u>