

BRONSTON WATER ASSOCIATION INC.

P.O. BOX 243
BRONSTON, KY 42518
(606) 561-5209

RECEIVED
DEC 15 2004
PUBLIC SERVICE
COMMISSION
December 13, 2004

To whom it may concern,

Case 2005-00060

Public Service Commission Examination Financial Record and Procedures

The Bronston Water Association Board of Directors met on December 6, 2004 and examined the report that we received on Financial Records and Procedures.

(1). Multiple Customers on one meter:

The Board decided to submit a request to the P.S.C. to amend our Tariff to keep the charges as they are now. There are only a few of the double hook-ups and to go back and have to re-do the billing program on the computer would cost the Association more money than we would realize from the charge. There are less than a dozen double hook-ups.

When we were approved for our new tariff and the order that was signed on June 20, 2003, by Thomas M. Dorman, in that order and the staff report that we would no longer collect the \$10.25 double hook-up charge (see attached page 2-3).

When our new rates were approved and we had the billing program updated for the new tariff we were told to omit the \$10.25, charge which we did.

The Board of Directors request that the P.S.C. approve the discontinued collections of the double hook-up fee.

(2). Collection of Unauthorized Charges:

1. Bronston Water Association has discontinued the charge of \$50.00 meter reset fee. We will request the tariff be amended.
2. The reconnection fee of \$30.00 was the old charge before the new tariff. We are now collecting \$50.00 as stated in the new tariff.
3. The Board voted on 12-06-04 to discontinue the \$18.00 meter lid charge, until we can request a tariff amendment. (We have never charged a customer for this service.)
4. Reference the Tap on Fee the Bronston Water Association has never collected any fee other than what was approved in our tariff. Although the board discussed the additional charges it was never charged a customer, until the tariff was approved by the P.S.C.

5. 1" Meters:

The Bronston Water Association prior to July 7, 2003 did not have a tariff rate for a 1" meter. The Association only had two or three 1" meters at that time. When the bookkeeper contacted the P.S.C. about what rate to charge for the 1" meter, the Association was advised to charge the basic rate, plus the \$10.25 for a double hook-up rate as they would have more than one hook-up on the meter. That is the rate that has been charged since we installed the first 1" meter. After the new tariff was approved for the 1" meter, the \$10.25 charge was discontinued. We do not believe we owe the refunds as all of the 1" meters had more than one hook-up on them. Most had several trailers on the same meter. We will abide by what is required of us, but we would like for this issue to be re-examined.

(3). Deposit Policy:

- 1. First of all the policy on deposit has been changed to meet the requirements of the Administrative Regulations. All of the renter's accounts have been given credit from the time they paid the deposit up to 12-31-03. They also will be given credit on 12-31-04 for the year of 2004 and will be given credit annually. If a renter leaves during the year, they are given credit up to the time that they move.**

The standard criteria the Bronston Water Association use is if an individual rents another property, they are required to pay a security deposit. The Association has a high rate of turn over of renters. The Association loses money on most renters. The Bronston Water Association will follow our tariff on renter's deposit. We will look at each individual and determine by their paying record if a reconsideration of their deposit should be credited to their account.

- 2. Interest on Customer Deposits:**

This has already been addressed prior on #(3).

(4) Free Service:

The Bronston Water Association was incorporated as a non-profit corporation. Since its incorporation the Association has furnished water to the churches in our area. If it is a church, they have been given free water. The meter set and other expenses have been paid by the church. After 35 years of the practice, now we have to get P.S.C. approval. We have no problem in submitting a request for the approval, but would like to know what has changed after 35 years that now we need P.S.C. approval. The Board of Directors will request an approval to continue the free water to churches.

In September 2003 the Board of Directors voted to furnish water to the Tucker Shelter House. The Tucker Shelter House is not owned by the former bookkeeper.

The Tucker Shelter House is available for anyone to use, it is not owned by any one individual. The Board was trying to be of service to the community, not providing water to help an individual.

(5). Work Orders; Plant Records:

The Board has reviewed these areas and will be in the process of trying to put as many of these in practice as possible. We are also working with our C.P.A. on the Plant Records.

(6). Misclassified Items:

We will be working with our C.P.A. to see if the areas of the report can be installed in our computer system.

The area of the account that had a (\$2,600.00); This money was interest that was earned on the \$50,000.00 that the Association received from the Pulaski Fiscal Court.

The other areas of the report relating to bookkeeping and files will be examined by our C.P.A. Our aim is to have the Association as up to date as possible. We are small and with one office employee our ability is limited.

The expense accounts and board salaries have been discussed with the tax people and our C.P.A. We will follow their advice, if a Form 1099 is needed, we will issue one. In the past the C.P.A. has advised that board members be paid for expenses to attend board meetings, special meetings and those involving construction meetings. We will do what ever the tax advisers tell us.

(7). Board Member Review:

The Board of Directors has always examined the financial statements, checkbook, C.D's, and authorized payment of monthly bills. The minute book that was kept did not reflect this, but it was done. At the present time each Board Member is given a list of all bills, all checks written, the beginning and end of the bank statement and any relativity as to the C.D's. This item is now listed in the monthly meetings. A list of customers on the penalty list is also reviewed by the Board. The Board of Directors will make any and all recommendations that are possible, but with limited personnel, some things will have to be done when we have the resources to accomplish what is expected of the association.

“Notes” “Comments”:

Free Service: The Board of Directors take exception to the remarks the examiner made, that we were providing free water to a former bookkeeper and Tucker Shelter House. It is not owned by her or any one individual.

Glen E Dalton



President



Paul E. Patton, Governor

Janie A. Miller, Secretary
Public Protection and
Regulation Cabinet

Thomas M. Dorman
Executive Director
Public Service Commission

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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June 20, 2003

Martin J. Huelsmann
Chairman

Gary W. Gillis
Vice Chairman

Robert E. Spurlin
Commissioner

J. C. Gibson
President
Bronston Water Association, Inc.
165 Tucker Road
P. O. Box 243
Bronston, KY 42518

RE: Case No. 2003-00159

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

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", followed by the number "257".

Thomas M. Dorman
Executive Director

TD/sa
Enclosure



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BRONSTON WATER)
ASSOCIATION, INC. FOR AN)
ADJUSTMENT OF RATES PURSUANT TO) CASE NO. 2003-00159
THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

O R D E R

On May 12, 2003, Bronston Water Association ("Bronston") filed its application for Commission approval of its proposed water rates. Commission Staff, having performed a limited financial review of Bronston'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 20th day of June, 2003.

ATTEST:

By the Commission



Executive Director

STAFF REPORT
ON
BRONSTON WATER ASSOCIATION
CASE NO. 2003-00159

Pursuant to a request by Bronston Water Association ("Bronston") for assistance with the preparation of a rate application for its water operations, Commission Staff ("Staff") performed a limited financial review of Bronston's test year operations for the calendar year ending December 31, 2001. 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 operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Upon completion of the review, Staff assisted Bronston 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 by Bronston were based on the pro forma income statement as shown in the application. The application also includes the calculation of Bronston's revenue requirement using a 1.2 debt service coverage, which is frequently used by the Commission to determine revenue requirements for small water utilities. To generate the revenue requirement of \$325,611, Bronston is proposing to increase its annual revenue from water rates by \$19,516, an increase of 6.37% over normalized revenue of \$306,095.

In reviewing Bronston's billing analysis and rate structure, the Commission Staff noted several changes that should be made to the rate design and rates for service.

Bronston's existing rates consist of a minimum bill for 1,500 gallons of usage per month and 4 declining block rate steps. Upon a review of the usage patterns of the almost exclusively residential service territory of Bronston, Staff determined that the number of declining block rate steps should be reduced to a minimum bill for 1,500 gallons and 2 usage steps. This reduction in rate steps will make the billing structure somewhat easier to use and will not have a significant impact on the billing to the average customer.

The cost of service study performed by Staff indicated that the customers using in excess of 15,000 gallons of water per month were not paying their portion of the cost of providing water service. The rate in the last usage step was found to be inadequate to cover the wholesale cost of water when taking into consideration the cost associated with line losses and company water usage. Consequently the newly designed rates will result in a larger percentage increase in the rates of the customers using in excess of 15,000 gallons per month.

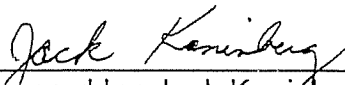
The existing rate structure of Bronston included a separate charge for customers that had a secondary water user attached to their service line called the "double hook-up" charge. This charge of \$10.25 per month was added to the customer's bill as a flat rate no matter how many additional users were added to the customer's line. It was determined by Staff that the customer that had secondary water users attached to his service line were not provided any additional services beyond what was provided to customers without a double hook-up. Therefore, Staff recommended that the double

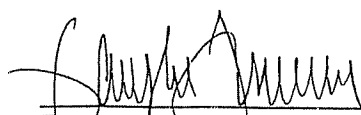
hook-up charge be discontinued. Staff also recommended, and Bronston concurs that the practice of allowing multiple users to attach to a primary customer's service line should be discontinued. While the existing customers will not be required to disconnect these secondary users, the Association will not allow additional customers to provide this service.

Staff concurred with Bronston in its request to keep the rate for service to fire hydrants at the current level. The cost of service study included the investment in hydrants in the customer related costs in order to spread the cost equally among all customers who receive the benefits of having the fire hydrants located in the community.

On May 12, 2003, Bronston filed its rate application to the Commission for consideration. Staff is hereby adopting the contents of Bronston's application as its recommendation in this report as if fully set out herein. Gary Forman is responsible for all revenue adjustments and the calculation of the proposed rates. Jack Kaninberg is responsible for the determination of the revenue requirement. Based on the information included in Bronston's application, Staff is of the opinion that the rates as shown in Attachment A of this report are reasonable and should be approved by this Commission.

Signatures


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



Prepared by: Gary Forman
Municipal Rate Specialist
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO. 2003-00159
STAFF'S RECOMMENDED RATES

Monthly Water Rates

First	1,500 gallons	\$10.03 minimum bill
Next	13,500 gallons	\$ 3.59 per 1,000 gallons
Over	15,000 gallons	\$ 3.08 per 1,000 gallons

NOTICE

Bronston Water Association has filed an application with the Public Service Commission to increase its rates for water service. The proposed effective date of the change is _____, 2003.

Present Rates:

	<u>Current</u>
First 1,500 Gallons	\$9.06 Minimum Charge
Next 3,500 Gallons	3.87 per 1,000 gallons
Next 5,000 Gallons	2.92 per 1,000 gallons
Next 5,000 Gallons	2.32 per 1,000 gallons
Over 15,000 Gallons	1.92 per 1,000 gallons

Proposed Rates:

	<u>Proposed</u>
First 1,500 Gallons	\$ 10.03 Minimum Bill
Next 13,500 Gallons	3.59 Per 1,000 gallons
Over 15,000 Gallons	3.08 Per 1,000 gallons

	<u>Current</u>	<u>Proposed</u>
Double hook-up Charge	\$10.25/month	discontinued

Comparison of Monthly Bills at Current and Proposed Rates

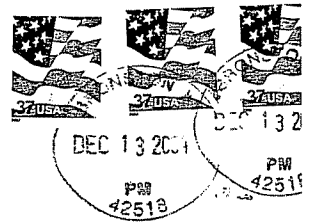
Gallon Usage	Current Rates	Proposed Rates	Increase Amount	Percentage
0	\$9.06	\$10.03	\$ 0.97	10.7%
1,000	9.06	10.03	0.97	10.7%
1,500	9.06	10.03	0.97	10.7%
2,000	11.00	11.83	0.83	7.5%
3,000	14.87	15.42	0.55	3.7%
3,500	16.80	17.21	0.41	2.4%
4,000	18.74	19.01	0.27	1.4%
5,000	22.61	22.60	(0.01)	(0.04%)
10,000	37.21	40.55	3.34	9.0%
20,000	58.41	73.90	15.49	26.5%
50,000	116.01	166.30	50.29	43.3%
100,000	212.01	320.30	108.29	51.1%
200,000	404.01	628.30	224.29	55.5%

The rates contained in this notice are the rates proposed by the Bronston Water Association, Inc. 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 change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office 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 from the Association office at 165 Tucker Rd., Bronston, KY 42518. Upon request from an intervenor, the Association shall furnish to the intervenor a copy of the application and supporting documents.

Bronston Water Association

WATER ASSOCIATION
P.O. BOX 243
FRANKFORD, KY 42518



DEC 13, 2004

ENVIRONMENTAL AND PUBLIC PROTECTION CABINET
PUBLIC SERVICE COMMISSION
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