

RECEIVED

JAN 14 2019

**PUBLIC SERVICE
COMMISSION**

TO KENTUCKY STATE COMMISSION
SOWER BLVD
FRANKFORT, KY

FROM: NIXUTIL SANITATION
DONNA BRAUTIGAN
2048 LINCOLN DRIVE
INDEPENDENCE, KY

I am asking that you try and provide Emergency Rate Relief so that we will be able to get the tariff rates as soon as possible and be able to collect fees for the 33 homes and one business in the Bel-Aire subdivision.

Thanks for your quick response.

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

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

JAN 14 2019

PUBLIC SERVICE
COMMISSION

Nixutil Sanitation Association, INc.
(Name of Utility)

2048 Lincoln Drive

(Business Mailing Address - Number and Street, or P.O. Box)

Independence, KY 41051

(Business Mailing Address - City, State, and Zip)

859-356-2326

(Telephone Number)

BASIC INFORMATION

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:

Donna Brautigan

(Name)

2048 Lincoln Drive

(Address - Number and Street or P.O. Box)

Independence, KY 41051

(Address - City, State, Zip)

859-356-2326

(Telephone Number)

dbrautigan@zoomtown.com

(Email Address)

(For each statement below, the Applicant should check either "YES", "NO", or "NOT APPLICABLE" (N/A))

- | | YES | NO | N/A |
|---|-------------------------------------|-------------------------------------|-----|
| 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| 2. a. Applicant has filed an annual report with the Public Service Commission for the past year. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 3. Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |

YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2017.
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)**
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ 9618.08 and total revenues from service rates of \$ 28095.44. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**
12. As of the **date of the filing of this application**, Applicant had 33 customers.
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**
15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.

YES NO N/A

- 16. a. Applicant is not required to file state and federal tax returns.
- b. Applicant is required to file state and federal tax returns.
- c. Applicant's most recent state and federal tax returns are attached to this Application.
(Attach a copy of returns.)
- 17. Approximately 0% **(Insert dollar amount or percentage of total utility plant)** of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions.
- 18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires to complete such form.

By submitting this application, the Applicant consents to the procedures set forth in 807 KAR 5:076 and waives any right to place its proposed rates into effect earlier than six months from the date on which the application is accepted by the Public Service Commission for filing.

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed Donna Brautigam
 Officer of the Company/Authorized Representative
 Title Treasurer
 Date January 7, 2019

COMMONWEALTH OF KENTUCKY
 COUNTY OF Kenton

Before me appeared Donna Brautigam, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

DEANNA S. DAMON
 Notary Public - State at Large
 Kentucky
 My Commission Expires Sept. 14, 2019
 Notary ID 542046

Deanna S. Damon
 Notary Public
 My commission expires: 9-14-19

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment
- Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- Attachment Billing Analysis" Attachment
- Depreciation Schedules
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return
- Statement of Disclosure of Related Party Transactions - ARF Form 3

NOTICE

JANUARY 7, 2019

On or around [insert date], Nixutil Sanitation Association, Inc. ("Nixutil") will submit an Alternative Rate Filing with the Kentucky Public Service Commission ("PSC") proposing to increase its rates and non-recurring charges in the following manner:

	Current Tariffed <u>Rate</u>	Proposed Monthly <u>Rate</u>	Dollar <u>Change</u>	Percent <u>Change</u>
Monthly Charge	\$4.00	\$70.95	\$66.95	1673.75%
Monthly Charge	4.50	\$70.95	66.45	1476.67%
Proposed Late Charge	\$5.00			

Nixutil proposes a change in rate design from a rate based on number of bathrooms to a flat rate that is based on a residential equivalent representing a maximum of 12,000 gallons per month.

The bill for an average customer using one residential equivalent (a maximum of 12,000 gallons per month) would increase \$66.95 per month, from \$4.00 to \$70.95 or 1673.75%.

The rates contained in this notice are the rates proposed by Nixutil, but the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Any person may examine this filing at Nixutil's office located at 2048 Lincoln Drive in Independence, Kentucky; telephone (606) 882-3141.

Any person may also examine this filing at the PSC located at 211 Sower Boulevard in Frankfort, Kentucky, Monday through Friday from 8:00am to 4:30pm or through the PSC website at <http://psc.ky.gov>.

Comments regarding the filing may be submitted to the PSC through its website or by mail to Public Service Commission, Post Office Box 615, Frankfort, KY 40602.

Any person may submit a timely written request for intervention to the PSC which establishes the grounds for the request including the status and interest of the party.

If the PSC does not receive a written request for intervention within thirty (30) days of the date notice was initially provided, the PSC may take final action on the filing.

REASONS FOR APPLICATION

(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)

Nixutil Sanitation Association, Inc. has experienced rising expenses and numerous capital costs for the years 2017 and 2018. An increase is also required to update the current tariff on file with the Public Service Commission to meet regulatory requirements.

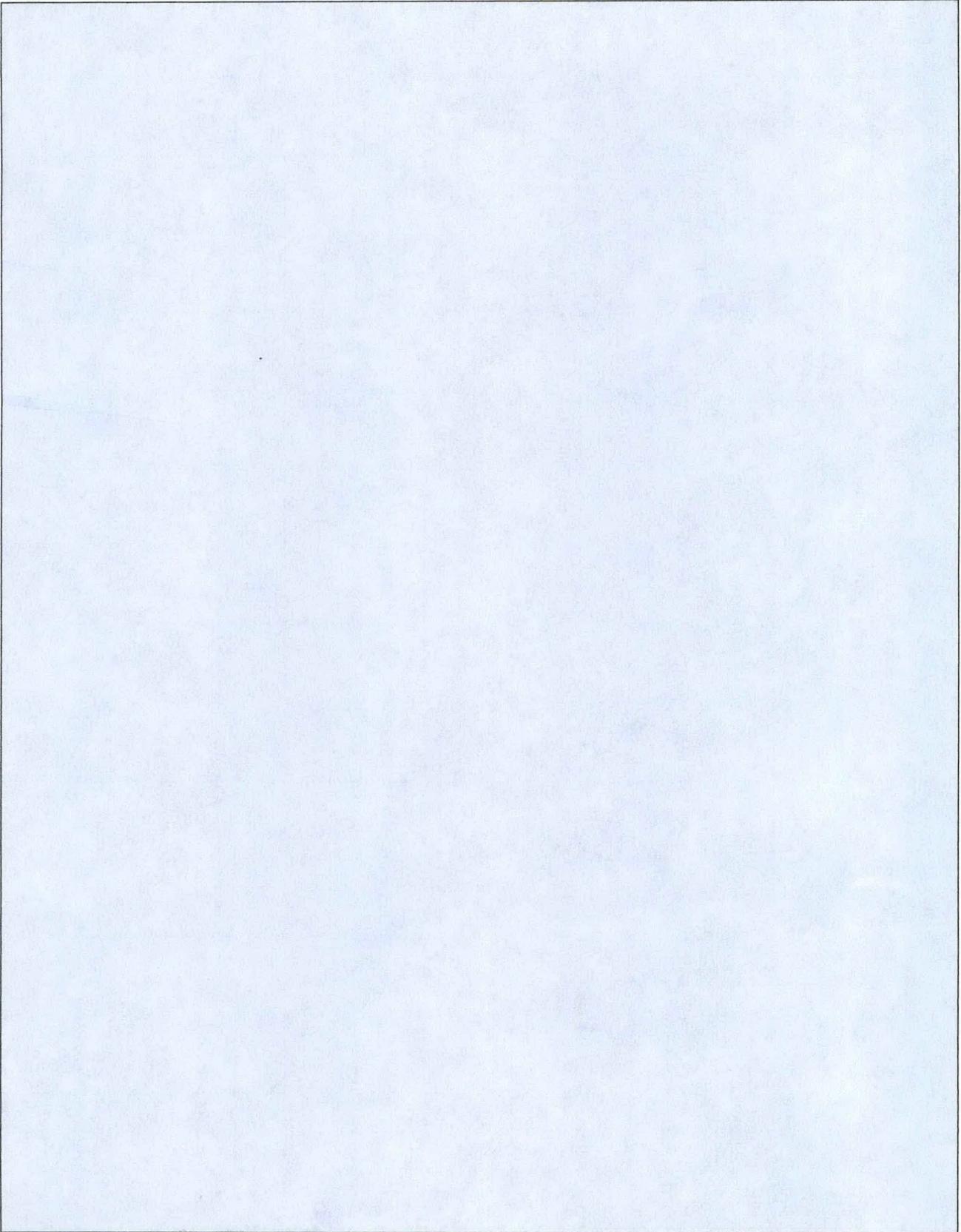
SCHEDULE OF ADJUSTED OPERATIONS - SEWER UTILITY

TYE 12/31/20 17

	Test Year	Adjustment	Ref.	Pro Forma
<u>Operating Revenues</u>				
Sewage Service Revenues				
Flat Rate Revenues	18,477.36			18,477.36
Measured Revenues				0.00
Revenue from Public Authorities				0.00
Revenue from Other Systems				0.00
Miscellaneous Sewage Revenues	3,228.14			3,228.14
Total Sewage Service Revenues	21,705.50	0.00		21,705.50
Other Operating Revenues				
Forfeited Discounts				0.00
Miscellaneous Operating Revenues				0.00
Total Other Operating Revenues	0.00	0.00		0.00
Total Operating Revenues	21,705.50	0.00		21,705.50
<u>Operating Expenses</u>				
Total Operation and Maintenance Expenses*	22,451.69			22,451.69
Depreciation Expense	3,657.00			3,657.00
Amortization Expense				0.00
Taxes Other Than Income	1,456.06			1,456.06
Income Tax Expense				0.00
Total Operating Expenses	27,564.75	0.00		27,564.75
Utility Operating Income	-5,859.25	0.00		-5,859.25

* Total Operation and Maintenance Expenses should be calculated using the worksheet titled "Sewer Operations and Maintenance Expenses".

References



REVENUE REQUIREMENT CALCULATION - OPERATING RATIO METHOD

(Method commonly used by investor owned utilities and/or non-profit entities that do not have long-term debt outstanding.)

Pro forma Operating Expenses Before Income Taxes	\$27,564.75
Operating Ratio	0.88
Sub-Total	31,323.58
Less: Pro forma Operating Expenses Before Income Taxes	-27,564.75
Net Income Allowable	3,758.83
Add: Provision for State and Federal Income Taxes, if Applicable (see footnote)	0.00
Interest Expense	0.00
Pro forma Operating Expenses Before Taxes	27,564.75
Cost of Natural Gas (water utilities should leave this blank)	0.00
Total Revenue Requirement	31,323.58
Less: Other Operating Revenue	3,228.14
Non-operating Revenue	
Interest Income	
Total Revenue Required from Rates for Service	28,095.44
Less: Revenue from Sales at Present Rates	18,477.36
Required Revenue Increase	9,618.08

Required Revenue Increase stated as a Percentage of Revenue at Present Rates	52.05%
--	--------

Provision for Income Taxes - Calculation of Tax Gross-Up Factor

Revenue	1
Less: 5% State Tax	-0.05
Sub-Total	0.95
Less: Federal Tax, 15% of Sub-Total	-0.1425
Percent Change in NOI	0.8075
Factor (Revenue of 1 divided by change in NOI)	1.23839
Times: Allowable Net Income	3,758.83
Net Income Before Taxes	4,654.90
Difference Equals Provision for State and Federal Income Taxes	896.07

Notes: (1) Natural gas utilities should deduct their cost of natural gas from pro forma operating expenses before performing the operating ratio calculation. The cost of natural gas should be added back and included in pro forma operating expenses when determining the total revenue requirement. (2) A provision for state and federal income taxes should only be included in the calculation of revenue requirements for utilities that file income tax returns and are liable for the payment of state and federal income taxes. Utilities whose income flows through to its owner's income tax returns for tax purposes should not include a provision for income taxes. (3) The conversion factor above is calculated using the minimum federal tax rate. Adjustment may be warranted where the actual federal tax rate exceeds the minimum federal tax rate.

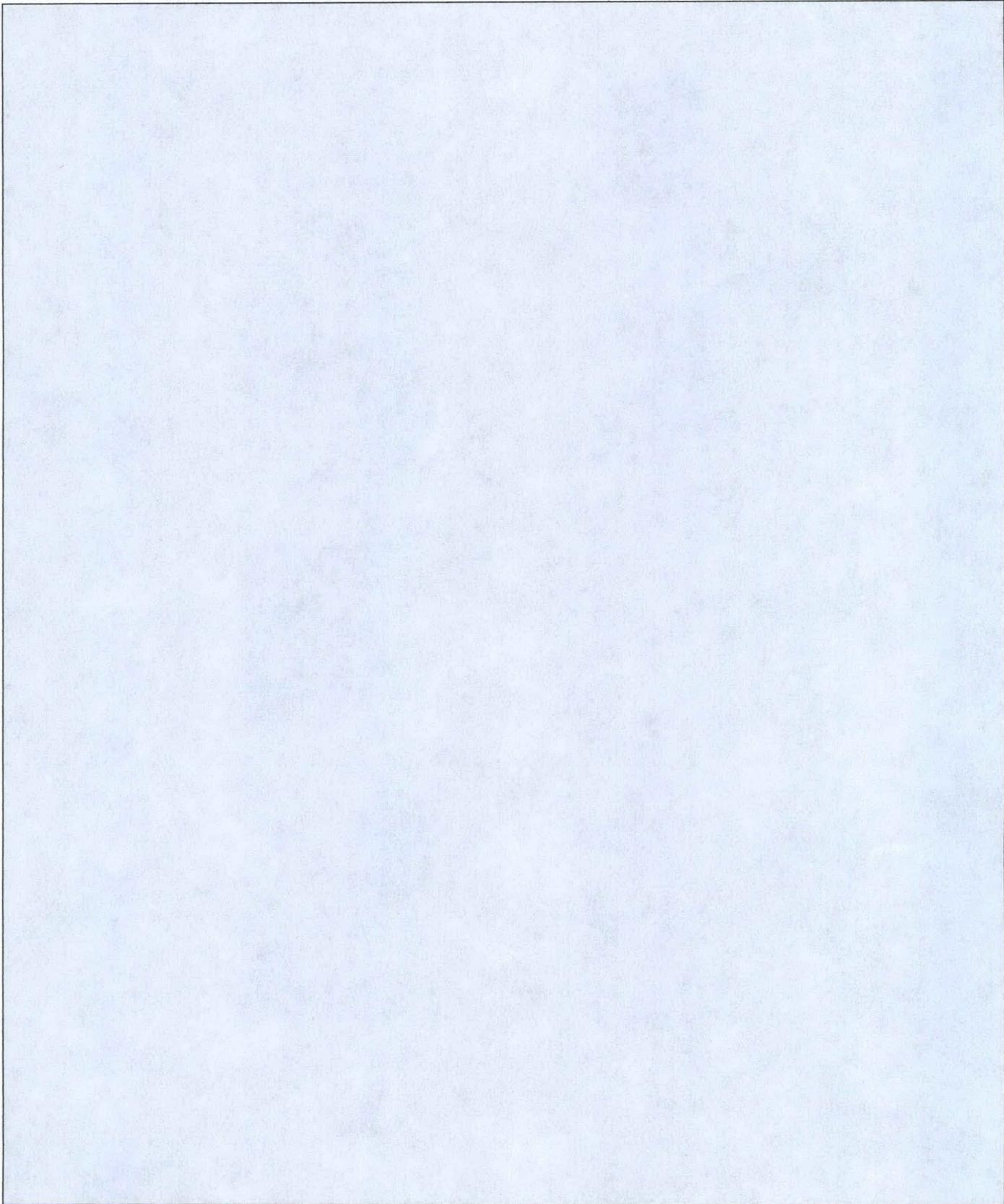
SEWER OPERATIONS AND MAINTENANCE EXPENSES

TYE 12/31/20 17

	Test Year	Adjustment	Ref.	Pro Forma
<u>Operation Expenses</u>				
Supervision and Engineering:				
Owner/Manager-Management Fee				0.00
Other Expenses				0.00
Labor and Expenses:				
Collection System-Labor, Materials and Expenses				0.00
Pumping System-Labor, Materials and Expenses				0.00
Treatment System:				
Sludge Hauling	3,000.00			3,000.00
Utility Service- Water Cost	369.48			369.48
Other-Labor,Materials and Expenses	3,402.92			3,402.92
Rents				0.00
Fuel/Power Purchased for Pumping and Treatment	3,383.69			3,383.69
Chemicals	3,750.00			3,750.00
Miscellaneous Supplies and Expenses:				
Collection System				0.00
Pumping System				0.00
Treatment and Disposal				0.00
<u>Maintenance Expenses</u>				
Supervision and Engineering:				
Routine Maintenance Service Fee	3,720.00			3,720.00
Internal Supervision and Engineering				0.00
Maintenance of Structures and Improvements				0.00
Maintenance of Collection Sewer System				0.00
Maintenance of Pumping System				0.00
Maintenance of Treatment and Disposal Plant	1,427.00			1,427.00
Maintenance of Other Plant and Facilities				0.00
<u>Customer Accounts Expenses</u>				
Supervision				0.00
Meter Reading Expenses and Flat Rate Inspections				0.00

	Test Year	Adjustment	Ref.	Pro Forma
<u>Customer Accounts Expenses-Continued</u>				
Customer Records and Collection Expenses:				
Agency Collection Fee				0.00
Internal Labor, Materials and Expenses				0.00
Uncollectable Accounts				0.00
Miscellaneous Customer Accounts Expenses				0.00
<u>Administrative and General Expenses</u>				
Administrative and General Salaries				0.00
Office Supplies and Other Expenses				0.00
Outside Services Employed				0.00
Insurance Expenses				0.00
Employee Pensions and Benefits				0.00
Regulatory Commission Expense				0.00
Transportation Expense				0.00
Miscellaneous General Expenses	3,398.60			3,398.60
Rents				0.00
Maintenance of General Plant				0.00
Total Sewer Operation and Maintenance Expenses	22,451.69	0.00		22,451.69

References



INSTRUCTIONS

Test Year amounts should be taken from the annual report for the immediate past year on file with the Commission.

807 KAR 5:076 defines "annual report for the immediate past year" as the annual report that covers an applicants operations for either (1) the calendar year period prior to the year in which the applicants application for rate adjustment is filed with the commission or (2) the most recent annual report that 807 KAR 5:006, Section 3(1) requires the applicant to have on file with the Commission as of the date of the filing of its application for rate adjustment.

Any known and measurable adjustments to Test Year amounts should be listed in the Adjustment column.

All adjustments should be referenced by listing a letter in the Ref. column and an explanation should be provided for each adjustment separately on the attached References page.

The amount listed in the Pro Forma column should reflect the Test Year amounts following any proposed adjustments.

For information about individual accounts, please refer to the Uniform System of Accounts for the appropriate utility type.

BILLING ANALYSIS - FLAT RATES

Revenue from Present/Proposed Rates

	<u>Current Rate</u>	<u>Proposed Rate</u>
Number of Customers	34 35	34 35
Flat Monthly Rate	\$4.00	\$70.95
Monthly Revenue	\$132.00	\$2,341.35
Number of Months	12	12
Annual Revenue	\$1,584.00	\$28,096.20

REVENUE REQUIREMENT CALCULATION - OPERATING RATIO METHOD

(Method commonly used by investor owned utilities and/or non-profit entities that do not have long-term debt outstanding.)

Pro forma Operating Expenses Before Income Taxes	\$27,564.75
Operating Ratio	0.88
Sub-Total	31,323.58
Less: Pro forma Operating Expenses Before Income Taxes	-27,564.75
Net Income Allowable	3,758.83
Add: Provision for State and Federal Income Taxes, if Applicable (see footnote)	0.00
Interest Expense	0.00
Pro forma Operating Expenses Before Taxes	27,564.75
Cost of Natural Gas (water utilities should leave this blank)	0.00
Total Revenue Requirement	31,323.58
Less: Other Operating Revenue	3,228.14
Non-operating Revenue	
Interest Income	
Total Revenue Required from Rates for Service	28,095.44
Less: Revenue from Sales at Present Rates	18,477.36
Required Revenue Increase	9,618.08

Required Revenue Increase stated as a Percentage of Revenue at Present Rates	52.05%
--	--------

Provision for Income Taxes - Calculation of Tax Gross-Up Factor

Revenue	1
Less: 5% State Tax	-0.05
Sub-Total	0.95
Less: Federal Tax, 15% of Sub-Total	-0.1425
Percent Change in NOI	0.8075
Factor (Revenue of 1 divided by change in NOI)	1.23839
Times: Allowable Net Income	3,758.83
Net Income Before Taxes	4,654.90
Difference Equals Provision for State and Federal Income Taxes	896.07

Notes: (1) Natural gas utilities should deduct their cost of natural gas from pro forma operating expenses before performing the operating ratio calculation. The cost of natural gas should be added back and included in pro forma operating expenses when determining the total revenue requirement. (2) A provision for state and federal income taxes should only be included in the calculation of revenue requirements for utilities that file income tax returns and are liable for the payment of state and federal income taxes. Utilities whose income flows through to its owner's income tax returns for tax purposes should not include a provision for income taxes. (3) The conversion factor above is calculated using the minimum federal tax rate. Adjustment may be warranted where the actual federal tax rate exceeds the minimum federal tax rate.

CURRENT AND PROPOSED RATES
(List Applicant's Current and Proposed Rates)

The ONLY EXCEPTION FOR 2018
WAS THE 5 YEAR PERMIT
WHICH WAS CLOSE \$3500.00
NIZUTIK HAS NO CUSHION
TO DRAW FROM.

LATE FEE - PLEASE BE LIBERAL
MANY ALWAYS LATE

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between December 2016 - December 2018 ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

DONNA BRAUTIGAN
(Print Name)

Donna Brautigian
(Signed)

TREASURER / SECRETARY
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Kenton

Subscribed and sworn to before me by Donna Brautigam
(Name)

this 7th day of January, 2018.

DEANNA S. DAMON
Notary Public - State at Large
Kentucky
My Commission Expires Sept. 14, 2019
Notary ID 542046

Deanna S. Damon
NOTARY PUBLIC
State-at-Large