

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF SYMSONIA)
WATER AND SEWER DISTRICTS) CASE NO. 8573
FOR ADJUSTMENTS OF RATES AND)
CHARGES)

O R D E R

On July 23, 1982, Symsonia Water and Sewer Districts ("Symsonia Water" and "Symsonia Sewer") filed an application with the Commission to increase their rates pursuant to 807 KAR 5:076, Alternative Rate Adjustment Procedure for Small Utilities ("ARF"). Symsonia Water proposed rates that would produce additional revenue of \$8,776 annually, an increase of 32 percent. The rates proposed by Symsonia Sewer would produce additional revenue of \$8,922 annually, an increase of 39 percent. Based on the determination herein, the revenues of Symsonia Water and Symsonia Sewer will increase by \$2,511 and \$4,020 annually, increases of 11 and 17 percent, respectively.

A hearing was not requested in this matter and in accordance with the provisions of the ARF no hearing was conducted. Therefore, the decision of the Commission is based on information contained in the application, written submissions, and the annual reports and other documents on file in the Commission's offices.

COMMENTARY

Symsonia Water is a nonprofit water distribution system organized and existing under the laws of the Commonwealth of Kentucky, and serves approximately 219 customers in Graves County.

Symsonia Sewer is a sanitation district organized and existing under KRS Chapter 220, serving approximately 192 customers in Graves County, Kentucky.

TEST PERIOD

The Commission has adopted the 12-month period ending December 31, 1981, as the test period for determining the reasonableness of the proposed rates. In utilizing the historical test period, the Commission has given full consideration to known and measurable changes found reasonable.

REVENUES AND EXPENSES

The ARF was established to provide a simplified and less expensive method for small utilities to apply for rate increases with the Commission. In this instance, because Symsonia Water and Symsonia Sewer were combined utility operations, the Commission found it necessary to conduct a limited audit of the 1981 operations of Symsonia Water and Sewer. A copy of the staff audit report has been included in the record in this case and is the basis for determining the revenue requirements herein. Symsonia Water and Symsonia Sewer proposed several adjustments to revenues and expenses as reflected on pages 5 and 6 of the application. The

Commission is of the opinion that the proposed adjustments are generally proper and acceptable for rate-making purposes with the following modifications:

Symsonia Water

Purchased Power Cost

The operating statement compiled during the limited audit indicated that the purchased power cost to be charged to Fuel or Power Purchased for Pumping, Account 622, for 1981 was \$1,491. The Commission has increased this expense by \$481 to reflect the annual cost of electricity based on the current rates of Jackson Purchase RECC. In determining this adjustment, the Commission used the actual volume of electricity purchased during the test year and applied the rates of Jackson Purchase RECC in effect in January 1983.

Insurance Expense

The operating statement compiled during the limited audit reflected an insurance expense of \$598 for the test year. The Commission has reduced this amount by \$223 to reflect the current rates charged to the utility for property insurance coverage. In determining this adjustment, the Commission has used the actual amount billed by the insurance company in 1981 for 12 months of coverage.

Depreciation Expense

Symsonia Water accrued depreciation expense for the test year of \$3,816. The Commission finds that depreciation

expense should be computed for rate-making purposes on the basis of the original cost of the plant in service less contributions in aid of construction. The record herein reflects that the level of contributions in aid of construction at the end of the test period was \$86,973, which is approximately 46 percent of the total cost of utility plant in service. Therefore, the Commission has reduced depreciation expense by \$1,813 to exclude depreciation on plant paid for with contributions in aid of construction.

Interest Expense

Interest expense has been reduced by \$158 to reflect the annual interest expense on long-term debt outstanding at the end of the test period.

After consideration of the aforementioned adjustments the Commission finds that Symsonia Water's test period operations are as follows:

	Actual ¹ <u>Test Period</u>	Pro Forma <u>Adjustments</u>	Adjusted <u>Test Year</u>
Operating Revenue	\$22,483	\$ 0	\$22,483
Operating Expenses	<u>17,751</u>	(1,555)	<u>16,196</u>
Operating Income	\$ 4,732	\$ 1,555	\$ 6,287
Other Income	224	0	224
Other Deductions	<u>4,007</u>	(158)	<u>3,849</u>
Net Income	<u>\$ 949</u>	<u>\$ 1,713</u>	<u>\$ 2,662</u>

¹ Report on Limited Audit of Symsonia Water and Sewer Districts Filed April 15, 1983.

Symsonia Sewer

Operating Revenue

The Commission has increased test year revenue by \$460 to reflect the amount of revenue produced by the current rate based on the number of customers at the end of the test period.

Power Purchased Cost

The operating statement compiled during the limited audit indicated that the purchased power cost to be charged to Fuel or Power Purchased for Pumping or Treatment, Account 703, for 1981 was \$5,673. The Commission has increased this adjustment by \$1,752 to reflect the annual cost of electricity based on the current rates of Jackson Purchase RECC. In determining this adjustment, the Commission used the actual volume of electricity purchased during the test year and applied the rates of Jackson Purchase RECC in effect in January 1983.

Insurance Expense

The operating statement compiled during the limited audit reflected an insurance expense of \$1,100. The Commission has reduced this amount by \$223 to reflect the current rates charged to the utility for property insurance coverage. In determining this adjustment, the Commission has used the actual amount billed by the insurance company in 1981 for 12 months of coverage.

Depreciation Expense

Symsonia Sewer accrued depreciation expense for the test year of \$20,186. As stated previously in this Order, the Commission finds that depreciation expense should be computed for rate-making purposes on the basis of the original cost of the plant in service less contributions in aid of construction. The record herein reflects that the level of contributions in aid of construction at the end of the test period was \$1,054,935, which is in excess of 100 percent of the total cost of utility plant in service. Because the utility plant in service is totally contributed, the Commission has excluded the depreciation expense for rate-making purposes.

The effect of the allowed adjustments on the operations of Symsonia Sewer is as follows:

	<u>Actual Test Year</u>	<u>Pro Forma Adjustments</u>	<u>Adjusted Test Year</u>
Operating Revenues	\$ 23,589	\$ 695	\$24,284
Operating Expenses	<u>44,496</u>	<u>(15,073)</u>	<u>29,423</u>
Operating Income	<u>\$(20,907)</u>	<u>\$ 15,768</u>	<u>\$(5,139)</u>
Other Income	5,131	0	5,131
Net Income	<u>\$(15,776)</u>	<u>\$ 15,768</u>	<u>\$(8)</u>

REVENUE REQUIREMENTS - SYMSONIA WATER

Symsonia Water's annual debt service requirement is \$7,518. The adjusted test period operating statement reflects net income of \$2,662 which provides inadequate

coverage on Symsonia Water's debt service. The Commission is of the opinion that the adjusted operating income is inadequate and will adversely affect the financial condition of Symsonia Water. To improve Symsonia Water's debt service coverage to a reasonable level of 1.2, additional revenues of \$2,511 are required. Based on adjusted test period results, total operating revenues of \$24,994 will produce net operating income of \$8,797 which after considering other income of \$224 will be sufficient to allow Symsonia Water to pay its operating expenses and meet its debt service requirements.

REVENUE REQUIREMENTS - SYMSONIA SEWER

The Commission is of the opinion that the operating ratio² of 88 percent is fair, just and reasonable and should be used to determine the revenue requirements of Symsonia Sewer. This methodology will provide sufficient revenue to permit Symsonia Sewer to pay its operating expenses and provide a reasonable surplus. Therefore, the Commission finds that Symsonia Sewer is entitled to increase its rates to produce total revenues of \$33,435, including other income of \$5,131 which will require an increase in revenues of \$4,020 annually.

Summary

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

² Operating Ratio = $\frac{\text{Operating Expenses} + \text{Depreciation} + \text{Taxes}}{\text{Gross Revenues}}$

1. The rates in Appendix A are fair, just and reasonable rates for Symsonia Water and Symsonia Sewer in that they will produce annual operating revenues of approximately \$24,994 for Symsonia Water and \$28,304 for Symsonia Sewer and should be approved. These revenues will be sufficient to meet Symsonia Water's and Symsonia Sewer's operating expenses found reasonable for rate-making purposes, service their debt, and provide a reasonable surplus.

2. The rates proposed by Symsonia Water and Symsonia Sewer would produce revenue in excess of that found reasonable herein and should be denied.

IT IS THEREFORE ORDERED that the rates in Appendix A be and they hereby are approved for service rendered by Symsonia Water and Symsonia Sewer on and after the date of this Order.

IT IS FURTHER ORDERED that the rates proposed by Symsonia Water and Symsonia Sewer be and they hereby are denied.

IT IS FURTHER ORDERED that within 30 days from the date of this Order Symsonia Water and Symsonia Sewer shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 6th day of May, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8573 DATED MAY 6, 1983

The following rates are prescribed for the customers in the area served by Symsonia Water and Sewer 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 date of this Order.

WATER RATES: Monthly

5/8" X 3/4" Meter

First	2,000 gallons	\$ 5.70 Minimum Bill
Next	3,000 gallons	1.30 per 1,000 gallons
Next	5,000 gallons	1.20 per 1,000 gallons
Over	10,000 gallons	1.10 per 1,000 gallons

3/4" Meter

First	5,000 gallons	\$ 9.60 Minimum Bill
Next	5,000 gallons	1.20 per 1,000 gallons
Over	10,000 gallons	1.10 per 1,000 gallons

1" Meter

First	10,000 gallons	\$15.60 Minimum Bill
Over	10,000 gallons	1.10 per 1,000 gallons

2" Meter

First	20,000 gallons	\$26.60 Minimum Bill
Over	20,000 gallons	1.10 per 1,000 gallons

SEWER RATES: Monthly

Single Family Residential \$11.50

All Other (per R.E.)* \$11.50

*The number of residential equivalents and/or fractional parts thereof shall be determined by dividing the customer's monthly water consumption in gallons by 12,000 gallons. The minimum bill for this type service shall be \$11.50.