

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SYMSONIA WATER)
DISTRICT FOR A RATE ADJUSTMENT)
PURSUANT TO THE ALTERNATIVE RATE) CASE NO. 94-498
FILING PROCEDURE FOR SMALL UTILITIES)

O R D E R

On December 7, 1994, Symsonia Water District ("Symsonia") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of Symsonia'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 15 days from the date of this Order.

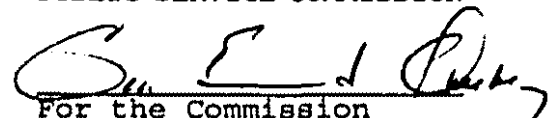
IT IS THEREFORE ORDERED that all parties shall have no more than 15 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for a hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 7th day of February, 1995.

ATTEST:


Executive Director

PUBLIC SERVICE COMMISSION


For the Commission

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STAFF REPORT

Prepared By: Karen Harrod, CPA
Public Utility Financial
Analyst, Chief
Water and Sewer Revenue
Requirements Branch
Division of Financial Analysis

Prepared By: John Geoghegan
Public Utility Rate Analyst,
Principal
Communications, Water and
Sewer Rate Design Branch
Research Division

STAFF REPORT

ON

SYMSONIA WATER DISTRICT

CASE NO. 94-498

On December 7, 1994, Symsonia Water District ("Symsonia") filed an application with the Kentucky Public Service Commission ("Commission") seeking approval to increase its tariffed water rates by 32 percent, an increase in annual operating revenues of \$13,023. Symsonia requested assistance from Commission Staff ("Staff") in the preparation of its Alternative Rate Filing Form as allowed pursuant to 807 KAR 5:076, Section 2. In order to assist in the preparation of this application, Staff performed a limited financial review of Symsonia's test year operations, the calendar year ending December 31, 1993.

The scope of the 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.


Karen Harrod of the Commission's Division of Financial Analysis performed the limited review on August 2-3, 1994. Ms. Harrod is responsible for the preparation of this Staff Report except for the determination of Normalized Operating Revenue, Rate Design, and Attachment C, which were prepared by John Geoghegan of the Commission's Division of Rates and Research.


It should be noted that Symsonia's operations consist of both a water division and a sewer division. As a result, certain expenditures are allocated between the two divisions. For rate-

making purposes, these expenditures have been allocated on a 50:50 basis, as recommended in the December 31, 1992 audit report of Staff, dated August 25, 1993.

A copy of Symsonia's Adjusted Net Operating Income Statement is shown on Attachment A. Attachment B details the revenue requirement determination. Staff recommends that Symsonia be allowed to increase its annual operating revenues by the requested amount of \$13,023. The rates contained in Attachment C will achieve Staff's recommended level of revenue.

Signatures


Prepared By: Karen Harrod, CPA
Public Utility Financial
Analyst, Chief
Water and Sewer Revenue
Requirements Branch
Financial Analysis Division


Prepared By: John Geoghegan
Public Utility Rate Analyst,
Principal
Communications, Water and Sewer
Rate Design Branch
Rates and Research Division

ATTACHMENT A
STAFF REPORT CASE NO. 94-498

SYMSONIA WATER DISTRICT
STATEMENT OF OPERATIONS
Test Year Ended 12/31/93

	<u>Test Year</u>	<u>Recommended Adjustments</u>	<u>Adjusted Test Year</u>
Operating Revenues	\$ 40,772	\$(601) (A)	\$ 40,171
Operating Expenses:			
Salaries & Wages	\$ 11,827	\$ 9,353 (B)	\$ 21,180
Purchased Power	180		180
Fuel for Power Production	2,714		2,714
Chemicals	2,372	4,604 (C)	6,976
Materials & Supplies	3,763		3,763
Outside Services	1,870	50 (D)	1,920
Insurance	1,414		1,414
Miscellaneous	517		517
Depreciation	5,900	2,065 (E)	7,965
Taxes other than Inc. Taxes	<u>1,298</u>	<u>716 (F)</u>	<u>2,014</u>
Total Operating Expenses	<u>\$ 31,855</u>	<u>\$ 16,788</u>	<u>\$ 48,643</u>
Operating Income	8,917	(17,389)	(8,472)
Other Income	2,082		2,082
Other Expense	<u>25</u>	<u>(25) (G)</u>	<u>0</u>
Net Income	<u>\$ 10,974</u>	<u>(17,364)</u>	<u>(6,390)</u>

A. Operating Revenues

Symsonia's reported operating revenue from rates was \$40,772. Staff performed a billing analysis which indicated Symsonia's present rates should produce \$40,171 annually, resulting in a \$601 adjustment.

B. Salaries & Wages

This account has been increased by \$9,353 to reflect the current level of salary expense including a 25 cent per hour raise for each employee which became effective January 1, 1995. During the test year only 34 percent of salary expense was allocated to Symsonia's water operations. This adjustment allocates 50 percent of total salary expense to water operations.

C. Chemicals

This account has been increased by \$4,604 to reflect the increased cost of chemicals required subsequent to the test year.

<u>Vendor</u>	<u>Description</u>	<u>Water</u>
McCoy & McCoy	Phase I Chemicals (Began using 8/94)	\$1,385
PBS Chemical Co.	Soda Ash Lite 2 bags x 52 wks. x \$30.95 (Began using 9/94)	<u>3,219</u>
Recommended Increase		<u>\$4,604</u>

D. Outside Services

This account has been adjusted to reflect the current level of expense for accounting services, an increase of \$100 over the test year level.

	<u>Total</u>	<u>50%-Sewer</u>	<u>50%-Water</u>
1994 Expense	\$700	\$350	\$350
Test Year Expense	<u>600</u>	<u>300</u>	<u>300</u>
Recommended Increase	<u>\$100</u>	<u>\$ 50</u>	<u>\$ 50</u>

E. Depreciation Expense

Test year depreciation expense was adjusted to include depreciation for necessary capital expenditures that have been or will be purchased when funds are available.

<u>Description</u>	<u>Total Est. Cost</u>	<u>Estimated Serv. Life</u>	<u>Annual Exp.</u>
2 Fire Hydrants	\$ 1,397	20 yrs.	\$ 70.00
Backhoe (50% - Water)	39,900	10 yrs.	<u>1,995.00</u>
Recommended Increase			<u>\$2,065.00</u>

F. Taxes other than Income Tax

This account has been adjusted to reflect the appropriate increase in FICA expense based on the recommended increase to test year salaries and wages expense.

H. Other Expense

This account has been adjusted to eliminate interest expense on long-term debt that was paid in full during the test year.

ATTACHMENT B
STAFF REPORT CASE NO. 94-498

SYMSONIA WATER DISTRICT
REVENUE REQUIREMENT DETERMINATION

Pro forma Present Rate Operating Expenses	\$ 48,643
Operating Ratio	<u>+ .88%</u>
Required Revenue	\$ 55,276
Less: Pro forma Present Rate Operating Revenues	40,171
Other Income	<u>2,082</u>
Recommended Revenue Increase	<u>\$ 13,023</u>
Percentage Increase	<u>32%</u>

ATTACHMENT C
STAFF REPORT CASE NO. 94-498

SYMSONIA WATER DISTRICT
RECOMMENDED RATE SCHEDULE

Recommended Rates

In its application Symsonia filed a schedule of present and proposed rates that did not include any changes in rate design. Staff agrees that the current rate design should not be altered. The recommended rates will generate Staff's recommended level of revenue.

5/8-Inch Connections

First 2,000 gallons	\$10.25 (minimum bill)
Next 3,000 gallons	2.35 per 1,000 gallons
Next 5,000 gallons	2.20 per 1,000 gallons
Over 10,000 gallons	2.05 per 1,000 gallons

2-Inch Connections

First 20,000 gallons	\$48.80 (minimum bill)
Over 20,000 gallons	2.05 per 1,000 gallons