

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GLENWOOD	)	
HALL GOLF & COUNTRY CLUB,	)	
WATER & SEWER DIVISIONS FOR A	)	CASE NO. 97-516
RATE ADJUSTMENT PURSUANT TO	)	
THE ALTERNATIVE RATE FILING	)	
PROCEDURE FOR SMALL UTILITIES	)	

O R D E R

On December 22, 1997, Glenwood Hall Golf & Country Club, Water and Sewer Divisions ("Glenwood Hall") filed applications for an increase in water and sewer rates charged to customers. Commission Staff, having performed a limited financial review of Glenwood Hall'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 no later than 10 days from the date of this Order. On January 30, 1998, the Commission issued an Order scheduling an informal conference for February 10, 1998, at 9:30 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky. Commission staff will be available at that time to discuss with those present any issues concerning the information contained in the Staff Report.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order, or 90 days after the application was filed, whichever is later, to provide written comments regarding the attached Staff Report or requests for hearing. If no request for a hearing is received, this case will be submitted to the Commission for a decision.

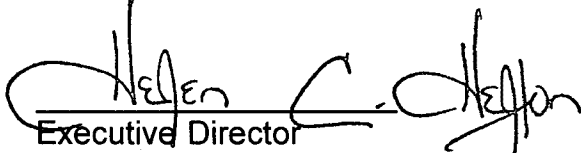
Done at Frankfort, Kentucky, this 3rd day of February, 1998.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:



Executive Director

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GLENWOOD HALL	)	CASE NO.
RESORT AND COUNTRY CLUB FOR AN	)	97-516
ADJUSTMENT OF RATES PURSUANT TO	)	
THE ALTERNATIVE RATE FILING PROCEDURE	)	
FOR SMALL UTILITIES	)	

STAFF REPORT

Prepared by: Jack Scott Lawless, CPA  
Auditor, Financial Audits Branch  
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Communications, Water and Sewer  
Rate Design Branch  
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STAFF REPORT  
ON  
GLENWOOD HALL RESORT & COUNTRY CLUB  
CASE NO. 97-516

A. Preface

On December 22, 1997, ICH Corp. dba Glenwood Hall Golf & Country Club ("Glenwood") submitted its application to the Kentucky Public Service Commission ("Commission") seeking an increase in rates for water and sewer service pursuant to 807 KAR 5:076, the Alternative Rate Adjustment Procedure for Small Utilities. Glenwood requested and received Commission Staff ("Staff") assistance in preparing its application. In providing this assistance, Brent Kirtley and Scott Lawless of the Commission's Division of Financial Analysis performed a limited financial review of Glenwood's test period operations for the twelve month period ending October 31, 1997. Glenwood did not make any revisions or changes to the recommendations and findings of Staff's limited financial review. In fact, the financial exhibits presented in Glenwood's application are Staff's recommended pro forma operations which supported increases in water and sewer operating revenues of \$71,736.54 and \$21,080.97, respectively. Staff has prepared this report to summarize its findings of its limited review. Mr. Lawless is responsible for this Staff Report except for the sections relating to operating revenues and rate design which were prepared by Mr. Kirtley.

Scope

The scope of the review was limited to obtaining information as to whether

Glenwood's test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

**B. Analysis of Operating Revenues and Expenses.**

It is Staff's opinion that Glenwood's utility division test year operations were subsidized by another division of Glenwood or by a parent company. Staff's opinion is substantiated by appendices A and B, as attached hereto, wherein water and sewer pro forma present rate net operating losses are shown to be \$60,080.31 and \$17,154.46, respectively.

**WATER DIVISION:**

**Operating Revenues**

Staff conducted a billing analysis using Glenwood's billing records for the twelve month period November 1996 through October 1997. The analysis resulted in total water sales of \$25,398.76 for the test period.

**Operating Expenses**

During Staff's review, Glenwood's test year operating expenses for the water division were determined to be \$103,887.28 which Staff proposed to be reduced by \$18,408.21 to properly reflect normal operations. Staff's adjustments are explained as follows:

**Gasoline:**

During the test period an amount of \$1,147.03 was paid to Ferrel Gas for the purchase of fuel. This expense was incurred by a separate operating division of

Glenwood but was erroneously charged to the water division. Therefore, this amount has been eliminated from test year operations.

FICA Expense Employer, FUI Expense Employer, SUI Expense Employer, and Workers Compensation:

During the test year Glenwood reported social security taxes, federal unemployment taxes, state unemployment taxes, and workers compensation expenses of \$1,001.46, \$61.40, \$324.75, and \$859.86, respectively. Staff has eliminated these amounts from test year operations as they have been included in Staff's pro forma calculation of Salaries and Wages (Benefits) as detailed later in this report.

Professional Fees:

During the test year Glenwood recorded professional fees in the amount of \$18,391.83 to which Staff proposed the following adjustments:

1. Legal Fees. Staff eliminated legal fees of \$6,138.51 which were incurred for the preparation of an alternative rate filing ("ARF") and research on requesting a Federal Emergency Management Agency ("FEMA") loan. Staff was unable to determine the exact amount paid for the FEMA loan application but was assured by Glenwood's management that the amount was minimal. The majority of the legal fees were incurred for assistance with the preparation of this ARF application, which was eventually provided by Staff. The FEMA loan, which was sought to cover flood damage, was never obtained. Both of these items were nonrecurring, provided no benefit to Glenwood's customers, and should therefore be eliminated from test year operations.
2. Service Fees. During the test year Glenwood recorded expenses associated with

Southwestern Life Corp. and Lone Star, Inc. in the amount of \$10,391.40. It is Staff's understanding that Southwestern managed the water operations prior to February 19, 1997 and that Lone Star, Inc. is a sister corporation which provided billing services for the water and sewer operations. Expenses totaling \$5,495.90 from Southwestern were actually estimates of future billings for services that could not be documented, while \$504.10 was incurred for miscellaneous services such as providing copies of invoices from prior periods and postage. Staff eliminated all of the expenses associated with Southwestern as they were either not actually incurred or represented nonrecurring items that fall outside of the ordinary course of business. Lone Star was paid \$4,391.40 during the test year for billing services. The water and sewer divisions are currently performing customer billing services in-house by Glenwood's office employee. Therefore, Staff has eliminated the amounts paid to Lone Star from pro forma operations and included that portion of the employee's payroll costs attributable to performing the billing service. The employee adjustment is included in the Salaries and Wages (Benefits) adjustment as discussed in a following section of this report.

3. Software Development. During the test year Glenwood paid Lightfoot Development \$1,561.92 for the development of customer billing software for both the water and sewer divisions. All of the development cost was charged to the water division. Staff decreased test year operations by \$1,312.01 to reflect a five year amortization of the total expense and to allocate 20 percent of the amortized amount to the sewer division. The adjustment is detailed as follows:

Amount paid to Lightfoot	\$1,561.92
Divide by:	<u>5.00</u>
Annual Recovery	312.39
Times: Percent Allocated to Water Division	<u>.80</u>
Amount Allocated to Water Division	249.91
Less: Test Year	<u>(1,561.92)</u>
Adjustment	<u>(1,312.01)</u>

Repairs and Maintenance:

During the test year Glenwood recorded repairs and maintenance expenses in the amount of \$50,146.96 to which Staff proposed the following adjustments:

1. Inappropriate Allocations. Staff reduced test year repairs and maintenance by \$1,411.96 which represents amounts that were erroneously allocated to water operations. The following summarizes the individual amounts:

<u>Vendor</u>	<u>Appropriate Division</u>	<u>Amount</u>
Pure Stream	Sewer	\$851.96
Rumpke	Dining Hall	220.50
Mr. Rooter	Sewer	<u>339.50</u>
Total		<u>\$1,411.96</u>

2. Flood Damage. During the test year Glenwood expended \$13,410.58 for flood damage repairs. Staff does not expect these expenses to recur through the ordinary course of business but is of the opinion that they were necessary to maintain the system. Therefore, Staff has decreased test year operations by \$10,728.46 to reflect a five year amortization of these expenses. The adjustment is detailed as follows:

<u>Vendor</u>	<u>Amount</u>
Water Works and Industrial Supply	\$674.69
USA Blue Book	526.55
Water Works and Industrial Supply	2,726.90
Electro Mechanical	763.25
Lexington Industrial	1,854.38



C.I. Thornburg	191.90
Craig's Rental	134.20
C.I. Thornburg	340.54
Electro Mechanical	1,080.00
C.I. Thornburg	217.30
Lexington Industrial	1,139.40
Lexington Industrial	2,820.90
Lexington Industrial	420.84
McCoy and McCoy	275.00
McCoy and McCoy	44.50
Florence Winwater Works Co.	87.78
USA Blue Book	13.42
USA Blue Book	36.98
USA Blue Book	<u>62.05</u>
Total	13,410.58
Divide by: 5 Years	<u>5.00</u>
Annual Recovery	2,682.12
Less: Test Year	<u>(13,410.58)</u>
Adjustment	<u><u>\$(10,728.46)</u></u>

3. Nonrecurring Expenses. During its review, Staff determined that Glenwood had expended \$13,123.79 for items that were incurred during the ordinary course of business but would not be expected to recur annually. Staff has amortized these items over a 5 year period to spread their cost over a reasonable period of time.

The adjustment appears as follows:

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Guthrie Sales	Sand	\$1,261.44
Kinder Electric	Motor Overhaul	7,085.40
Mainstream Divers	Tank Cleaning	1,845.80
JEBE Co.	Chlorinator	571.15
Kinder Electric	Installation-Pump	1,640.00
Luhn and Oak Co.	Installation-Pump	360.00
Luhn and Oak Co.	Installation-Pump	<u>360.00</u>
Total		13,123.79
Divide by: 5 Years		<u>5.00</u>
Annual Recovery		2,624.76
Less: Test Year		<u>(13,123.79)</u>
Adjustment		<u><u>(10,499.03)</u></u>

The balance of expenditures in this account of \$22,200.63 were considered to be normal operating expenditures necessary to operate the utility.

Salaries and Wages (Benefits):

Glenwood reported test year salaries and wages in the amount of \$15,325.00 which Staff has increased to \$31,348.66 to properly reflect payroll and related costs of Glenwood's two employees. Staff's recommended amount includes allocations of the field and office employee's salaries and wages as well as all applicable payroll taxes, workers compensation, and health insurance expenses. All allocation percentages were determined by Staff through discussion with Glenwood's management. The field employee works solely for the utility operations. His payroll and related expenses were allocated 70 and 30 percent to the water and sewer divisions, respectively, which was based upon estimates of time spent performing services for each division. The office employee performs billing services and general office duties for Glenwood's utility divisions as well as general office duties for Glenwood's other divisions. Staff allocated 70 percent of her payroll and related expenses to the utility divisions as most of her time is spent performing customer account duties for utility operations. Staff then allocated those costs 55 percent to water and 45 percent to sewer which was based on the number of customers served by each division at the end of 1996. Detail of Staff's pro forma calculation is as follows:

	<u>Office</u>	<u>Field</u>
Salary	\$19,200.00	\$27,000.00
FICA	1,468.80	2,065.50
FUI on first \$7,000	56.00	56.00
SUI on first \$7,000	210.00	210.00
Workers Compensation	1,077.12	1,514.70
Health Insurance	<u>1,200.00</u>	<u>1,200.00</u>
Total	23,211.92	32,046.20
Times: Percent for Utility Divisions	<u>.70</u>	<u>1.00</u>
Amount Allocated to Utilities	16,248.34	32,046.20
Percent Allocated to Water	<u>.55<sup>1</sup></u>	<u>.70</u>
Amount Allocated to Water	<u>\$8,916.32</u>	<u>\$22,432.34</u>
 Total Allocated to Water	 <u>\$31,348.66</u>	

Contract Labor:

During the test period Glenwood paid contract labor in the amount of \$627 for maintenance of its utility system before it hired a field employee. Since Glenwood now has an employee to perform all maintenance labor, the contract labor will not recur and has therefore been eliminated from test year operations.

Supplies:

Glenwood reported test year supplies expense of \$6,260.42. During Staff's review it was determined that \$1,157.20 of that amount was paid to Water Works and Industrial Supply for flood damage repairs. Staff has amortized this amount over a five year period just as was done previously in this report for flood damage expenses that were charged to the repairs and maintenance expense account. The adjustment necessary to reflect this amortization is a decrease in test year operations of \$925.76 which is calculated as follows:

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<sup>1</sup> Actual factor used was 54.8753 percent.

Test year expense	\$1,157.20
Divide by: 5 years	<u>5.00</u>
Annual Recovery	231.44
Less: Test Year	<u>(1,157.20)</u>
Adjustment	<u>\$(925.76)</u>

Utilities-Electric:

During the test year Glenwood reported purchased power for pumping of \$8,265.72. Staff was unable to readily determine how this amount was accrued. Therefore, Staff had to compile a test year purchased power for pumping expense from reviewing vendor's invoices as paid by Glenwood from February 19, 1997 through October 31, 1997. Staff choose February 19 as its cutoff date as this was when Glenwood's current management took over operations and electric invoices were readily available. During review, Staff observed two electric accounts that were paid by Glenwood which were incurred as a result of water pumping and should accordingly be charged to water operations. Staff calculated an annual amount of purchased power for pumping expense of \$17,607.96 to be included in pro forma operations as follows:

Analysis of Accounts:

	<u>Account 1</u>	<u>Account 2</u>
Total Paid	\$8,035.37	\$4,596.09
Divide by: Number of payments in amount paid	<u>9.00</u>	<u>8.00</u>
Average Payment <sup>2</sup>	892.81	574.51
Annualize	<u>12.00</u>	<u>12.00</u>
Pro forma	<u>\$10,713.83</u>	<u>\$6,894.13</u>
Total Pro forma	<u>\$17,607.96</u>	

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<sup>2</sup> Decimal point carried out 4 places in actual calculation of average payment.

The difference between test year and pro forma purchased power expense is due to there being fewer than twelve months of invoices reflected in the test year amount and inappropriate allocations of test year purchase power expenditures to other divisions of Glenwood.

Depreciation:

During the test year Glenwood purchased a water pump at a cost of \$8,890.00 which it chose to capitalize and depreciate over a five year period. Staff agrees with such treatment recognizing that a five year period is an adequate amount of time to recover such an expenditure. However, Glenwood recorded depreciation for only one month on this pump during the test year. Staff has adjusted test year depreciation expense to reflect a full year of depreciation by increasing test year operating expenses by \$1,654.52. The adjustment is detailed as follows:

Cost of pump	\$8,890.00
Divide by: 5 Years	<u>5.00</u>
Annual Recovery	1,778.00
Less: Test Year	<u>(123.48)</u>
Adjustment	<u>\$1,654.52</u>

Operations Summary

Based on Staff's recommendations as contained in this report, Glenwood's water division pro forma operating statement would appear as presented in Appendix A.

SEWER DIVISION:

Operating Revenues

Staff analyzed billing information provided by Glenwood for the months during the test period. There are 185 sewer customers paying a flat rate of \$4.00 per month,

resulting in normalized operating revenue of \$8,880.

### Operating Expenses

During Staff's review, Glenwood's test year operating expenses for the sewer division were determined to be \$11,606.20 which Staff proposed to increase by \$14,428.26 to properly reflect normal operations. Staff's adjustments are explained as follows:

#### Salaries and Wages (Benefits):

During the test year Glenwood did not record an amount for salaries and wages for sewer operations. However, as previously discussed in this report, Staff has allocated \$16,945.88 to sewer operations for payroll and related costs. This amount is calculated as follows:

Payroll Costs Allocated to Utility Operations for:	
Field Employee	\$32,046.20
Office Employee	<u>16,248.34</u>
Total	48,294.54
Less: Amount Allocated to Water Division	<u>(31,348.66)</u>
Amount Allocated to Sewer Division	<u>\$16,945.88</u>

For further explanation and detail as to payroll cost calculations and allocation procedures, please refer to the Water Division's Operating Expenses section of this report where Salaries and Wages (Benefits) were calculated and detailed.

#### Repairs and Maintenance:

During the test year Glenwood recorded repairs and maintenance expenses in the amount of \$7,103.80 to which Staff proposed the following adjustments:

1. Flood Damage. During the test year Glenwood expended \$2,370.94 for flood damage repairs. Staff does not expect these expenses to recur through the

ordinary course of business but is of the opinion that they were necessary to maintain the system. Therefore, Staff has decreased test year operations by \$1,896.75 to reflect a five year amortization of these expenses. The adjustment is detailed as follows:

<u>Vendor</u>	<u>Amount</u>
Tom Stewart	\$691.00
Electro Mechanical	<u>1,679.94</u>
Total	2,370.94
Divide by: 5 Years	<u>5.00</u>
Annual Recovery	474.19
Less: Test Year	<u>(2,370.94)</u>
Adjustment	<u><u>\$(1,896.75)</u></u>

2. Nonrecurring Expenses. During its review Staff determined that Glenwood had expended \$1,656.00 for items from Kinder Electric that were incurred during the ordinary course of business but would not be expected to recur annually. Staff has amortized these items over a 5 year period to spread their cost over a reasonable period of time. The adjustment appears as follows:

Amount Expended for Blower Unit	\$1,656.00
Divide by: 5 Years	<u>5.00</u>
Annual Recovery	331.20
Less: Test Year	<u>(1,656.00)</u>
Adjustment	<u><u>\$(1,324.80)</u></u>

It should be noted that the corresponding adjustment in Glenwood's application for these nonrecurring expenses is not identical to the adjustment contained herein as an error was made in the calculation included in the application. The effect of this error results in a revenue requirement that is \$376.36 less than that which was requested in Glenwood's application.

3. Software Development. During the test year Glenwood paid Lightfoot

Development \$1,561.92 for the development of customer billing software for both the water and sewer divisions. All of the development cost was charged to the water division. Staff increased test year operations by \$62.48 to allocate 20 percent of the five year amortization of this expense to the sewer division.

4. Inappropriate Allocations. Staff increased test year repairs and maintenance by a total of \$509.89 which represents amounts that should have been allocated to sewer operations but were erroneously allocated to water operations. This amount consists of a 5 year amortization of the \$851.96 paid to Pure Stream for flood damage which accounts for \$170.39 of the total adjustment. The remaining \$339.50 was paid to "Mr. Rooter" for sewer line cleaning.

Utilities - Electric:

Staff observed five electric accounts that should be allocated to sewer operations. Staff performed the same calculation on the sewer accounts as was done on the water accounts. This calculation provided a pro forma purchased power expense of \$4,633.96 which required an increase to test year operations of only \$131.56. Due to the insignificance of this adjustment, Staff has not included detailed calculations herein.

Operations Summary

Based on Staff's recommendations as contained in this report. Glenwood's sewer division pro forma operating statement would appear as presented in Appendix B.

C. Revenue Requirements Determination

This Commission frequently determines revenue requirements for small, privately-owned utilities using an 88% operating ratio and has deemed this method appropriate



in this case. By applying this approach Glenwood's water and sewer divisions revenue requirements were determined to be \$97,135.30 and \$29,584.61, respectively. Detail of these calculations is provided in Appendix C of this report.

D. Rate Design

Glenwood's present rate design structure for the water division consists of a declining block schedule that includes eight rate increments. However, the customer base is almost entirely residential in nature with an approximate average monthly usage of 2,200 gallons per customer. After reviewing the customer usage patterns, Staff recommends reducing the number of increments to three. Appendix D includes the results of a cost of service study that was conducted to properly allocate the cost of providing service to each usage increment. The rates in Appendix E will generate the required operating revenue from water rates of \$97,135.30.

The current rate structure for the sewer division is a monthly flat rate charge. At present, there is no compelling evidence to alter the rate design. The recommended rates in Appendix F will generate the required operating revenue from sewer rates of \$29,584.61.

E. Other

Staff is aware of speculation that Glenwood's water division may be taken over and operated by an entity who currently provides water service in Glenwood's vicinity. There has been no evidence filed with this Commission to confirm such speculation. Therefore, the findings and conclusions of this report are based upon only known and measurable adjustments, and have been drawn independent of such speculation.

However; it should be noted, by all parties involved, that the Commission's approval must be obtained prior to a utility's transfer of assets, construction of utility plant, or charge of construction fee.

This report includes rates to be charged for water and sewer service that Staff considers to be reasonable based on Glenwood's pro forma operations. However, Staff considered an alternative rate structure wherein the flood damage expenses, as noted throughout this report, would be recovered through a surcharge instead of being included in the calculation of Glenwood's general rates for utility service. In the past, this Commission has approved surcharges to cover expenditures incurred due to extraordinary events. The attractive feature of a surcharge is that the effective rates paid by a customer decrease with no further rate proceedings once the surcharge has been fully collected. Staff is of the opinion that the flood damage expenses as included in Glenwood's pro forma operating statements were the result of an extraordinary event and could be collected through a surcharge. However, it is also Staff's opinion that such a surcharge is not warranted in this case as the impact on the general rates for service would be quite minimal and would not justify the increased administrative costs incurred as a result of implementing and accounting for such a surcharge. Staff has calculated the surcharges for water and sewer service as follows:

Flood Damage Expenses

Repairs and Maintenance

Water  
\$13,410.58

Sewer  
\$2,370.94  
851.96

Supplies

1,157.20

Total

14,567.78

3,222.90

Divide by: 5 years

5.00

5.00

Annual Recovery

2,913.56

644.58

Divide by: 12 months

12.00

12.00

Monthly Recovery

242.80

53.72

Divide by: Number of Customers

228.00

185.00

Monthly Surcharge

\$1.07

\$.29

If the surcharge calculated above were to be approved by this Commission, the rates included in this report would be reduced so that the average customer's water and sewer bill for utility service (excluding the monthly surcharge) would be decreased by approximately \$1.22 and \$.33, respectively, which is calculated as follows:

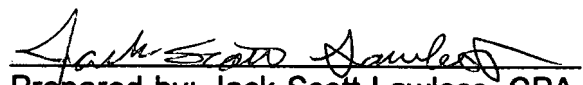
Monthly Surcharge  
Divide by: .88 Operating Ratio  
Approximate Impact on Average Bill

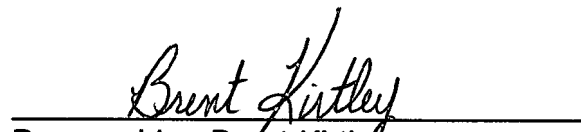
Water  
\$1.07  
.88  
\$1.22

Sewer  
\$.29  
.88  
\$.33

The surcharges would be charged for five years or until the full amount of the flood damage expenses have been collected.

Signatures

  
Prepared by: Jack Scott Lawless, CPA  
Auditor, Financial Audits Branch  
Division of Financial Analysis

  
Prepared by: Brent Kirtley  
Public Utility Rate Analyst  
Communications, Water and Sewer  
Rate Design Branch  
Division of Financial Analysis

APPENDIX A  
STAFF REPORT CASE NO. 97-516  
PRO FORMA OPERATING STATEMENT (WATER DIVISION)

	Test Year 12 months Ended 10/31/97	Adjustments	Pro forma Operations	Adjustments	Pro forma Operations Proposed Rates
<b>Operating Revenues</b>					
Metered Water Sales	25,398.76		25,398.76	71,736.54	97,135.30
<b>Operating Expenses</b>					
Gasoline	1,147.03	(1,147.03)	0.00		0.00
Licenses and Fees	110.00		110.00		110.00
FICA Expense Employer	1,001.46	(1,001.46)	0.00		0.00
FUI Expense Employer	61.40	(61.40)	0.00		0.00
SUI Expense Employer	324.75	(324.75)	0.00		0.00
Workers Compensation	859.86	(859.86)	0.00		0.00
Professional Fees	18,391.83	(6,138.51)			
		(10,391.40)			
		(1,312.01)	549.91		549.91
Postage	33.23		33.23		33.23
Recruiting Expense	88.96		88.96		88.96
Repairs and Maintenance	50,146.96	(1,411.96)			
		(10,728.46)			
		(10,499.03)	27,507.50		27,507.50
Salaries and Wages (Benefits)	15,325.00	(15,325.00)			
		31,348.66	31,348.66		31,348.66
Contract Labor	627.00	(627.00)	0.00		0.00
Supplies	6,260.42	(925.76)	5,334.66		5,334.66
Telephone	249.00		249.00		249.00
Auto and Travel	176.31		176.31		176.31
Miscellaneous and General	507.19		507.19		507.19
Utilities - Electric	8,265.72	9,342.24	17,607.96		17,607.96
Utilities - Gas	187.68		187.68		187.68
Depreciation	123.48	1,654.52	1,778.00		1,778.00
<b>Total Operating Expenses</b>	<b>103,887.28</b>	<b>(18,408.21)</b>	<b>85,479.07</b>	<b>0.00</b>	<b>85,479.07</b>
<b>Net Operating Income</b>	<b>(78,488.52)</b>	<b>18,408.21</b>	<b>(60,080.31)</b>	<b>71,736.54</b>	<b>11,656.24</b>

APPENDIX B  
 STAFF REPORT CASE NO. 97-516  
 PRO FORMA OPERATING STATEMENT (SEWER DIVISION)

	Test Year 12 months Ended 10/31/97	Adjustments	Pro forma Operations	Adjustments	Pro forma Operations Proposed Rates
Operating Revenues					
Flat Rate Revenues	8,880.00		8,880.00	20,704.61	29,584.61
Operating Expenses					
Salaries and Wages (Benefits)		16,945.88	16,945.88		16,945.88
Repairs and Maintenance	7,103.80	(1,896.75)			
		(1,324.80)			
		62.48			
		170.39			
		339.50	4,454.62		4,454.62
Utilities - Electric	4,502.40	131.56	4,633.96		4,633.96
Total Operating Expenses	11,606.20	14,428.26	26,034.46	0.00	26,034.46
Net Operating Income	(2,726.20)	(14,428.26)	(17,154.46)	20,704.61	3,550.15

APPENDIX C  
STAFF REPORT NO. 97-516  
CALCULATION OF REVENUE REQUIREMENTS

	Water Division	Sewer Division
Operating Expenses	85,479.09	26,034.46
Divide by: 88 Percent Operating Ratio	88%	88%
Revenue Required	<u>97,135.33</u>	<u>29,584.61</u>
Less: Operating Expenses	<u>(85,479.09)</u>	<u>(26,034.46)</u>
Net Operating Income	<u>11,656.24</u>	<u>3,550.15</u>

APPENDIX D  
STAFF REPORT CASE 97-516  
COST OF SERVICE STUDY  
WATER DIVISION

	<u>TOTAL</u>	<u>COMMODITY</u>	<u>DEMAND</u>	<u>CUSTOMER</u>
Salaries and Wages	31,349		22,432	8,917
Postage	33			33
Recruiting expense	89			89
Repairs and Maintenance	27,508		27,508	
Electric	17,608	17,608		
Operating Ratio	11,656		5,828	5,828
Sub-Total	88,243	17,608	55,768	14,867
Allocation Percentage	100.00%		78.95%	21.05%
License & Fees	110		87	23
Professional Fees	550		434	116
Supplies	5,335		4,212	1,123
Telephone	249		197	52
Travel	176		139	37
Gas	188		148	40
Miscellaneous	507		400	107
Sub-Total	7,115		5,617	1,498
Total Operation and Maintenance	95,358	17,608	61,385	16,365
Allocation Percentage	100.00%		95.00%	5.00%
Depreciation Expense	1,778		1,689	89
REVENUE REQUIRED FROM RATES	97,136	17,608	63,075	16,453

	<u>total gallons</u>	<u>first 2,000</u>	<u>next 8,000</u>	<u>over 10,000</u>
Actual Usage	5,882,980	2,680,215	2,444,586	758,179
	100.00%	45.56%	41.55%	12.89%
Weighted Usage	7,834,234	4,020,323	3,055,733	758,179
	100.00%	51.32%	39.00%	9.68%
COMMODITY	17,608	8,022	7,317	2,269
DEMAND	63,075	32,368	24,602	6,104
		40,390	31,919	8,373
CUSTOMER		16,453		
Customer Allocation		56,844		
Number of Bills		2,701		

PROPOSED RATE SCHEDULE	<u>first 2,000</u>	<u>next 8,000</u>	<u>over 10,000</u>	
	21.05	13.06	11.04	
	minimum	per 1000	per 1000	
	bill	gallons	gallons	
	56,843.64	31,918.89	8,373.47	\$97,136.00

APPENDIX E  
STAFF REPORT CASE 97-516  
RECOMMENDED RATES  
WATER DIVISION

RECOMMENDED RATES

First	2,000 Gallons	\$21.05 Minimum Bill
Next	8,000 Gallons	13.06 Per 1,000 Gallons
Over	10,000 Gallons	11.04 Per 1,000 Gallons



APPENDIX F  
STAFF REPORT CASE 97-516  
RECOMMENDED RATES  
SEWER DIVISION

RECOMMENDED RATE

Monthly Bill

\$13.50