

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CHIMNEY ROCK)	
WASTE MANAGEMENT, LLC FOR)	CASE NO.
APPROVAL OF AN INITIAL TARIFF)	2002-00376
ESTABLISHING RULES, REGULATIONS,)	
AND RATES FOR SERVICE)	

ORDER

On October 10, 2002, Chimney Rock Waste Management, LLC (Chimney Rock) filed its application for Commission approval of initial rates for sewer service. Commission Staff, having performed a limited financial review of Chimney Rock'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 21st day of October, 2002.

By the Commission

ATTEST:


Executive Director

STAFF REPORT
ON
CHIMNEY ROCK WASTE MANAGEMENT, LLC
CASE NO. 2002-00376

Pursuant to a request of Chimney Rock Waste Management, LLC (Chimney Rock) for assistance in establishing an initial tariff, Commission Staff (Staff) performed a limited financial review of Chimney Rock s test year operations, the twelve months ended December 31, 2001. The scope of Staff s review was limited to obtaining information as to whether test period operations were representative of a normal year. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Upon completion of the review, Staff assisted Chimney Rock in the development and preparation of an application. The application included a statement of expenses and a revenue requirement determination. Annual expenses for the test year totaled \$13,979. The revenue requirement was determined to be \$15,885 by applying the 88 percent operating ratio method. The Commission generally utilizes this method when setting rates for small investor owned utilities. The rates were then determined to be \$40.42 per month for the 18 single-family residential dwelling customers and \$596.21 per month for the Chimney Rock RV Park.

On October 10, 2002, Chimney Rock submitted the rate application to the Commission for consideration. Staff is hereby adopting the contents of that application as its recommendation in this report as if fully set out herein. Staff further recommends that the Commission not suspend the proposed rates and allow the rates to go into

effect on November 14, 2002, as requested by Chimney Rock. Chimney Rock continues to incur daily operating expense without receiving revenue. Staff has performed all necessary review to determine the proposed rates reasonable. To delay Chimney Rock collection of revenue could materially impair or damage its credit and operations and would serve only to increase the expenses of Chimney Rock through otherwise unnecessary litigation expense which would ultimately be borne by its ratepayers.

Sam Reid is responsible for all revenue adjustments and calculation of the proposed rates. Scott Lawless is responsible for the determination of the revenue requirement. Based on the information reviewed, Staff is of the opinion that the rates proposed by Chimney Rock, as shown in Attachment A of this report, are reasonable and should be approved by this Commission.

Signatures

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

Prepared by: Sam Reid
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO. 2002-00376
STAFF S RECOMMENDED RATES

Rates for service

Single family residential monthly sewer charge	\$40.42
Business monthly sewer charge (Campground)	\$596.21

Deposits

All customers	\$80.00
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Non-Recurring Chages

Late Payment Penalty	\$10.00
Returned Check Charge	\$20.00
Reconnection Charge	Actual Cost
Disconnection Charge	Actual Cost