

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|   |            |
|---|------------|
| THE APPLICATION OF WESTERN MASON COUNTY ) |            |
| WATER DISTRICT FOR A RATE ADJUSTMENT )    | CASE NO.   |
| PURSUANT TO THE ALTERNATIVE RATE FILING ) | 2003-00052 |
| PROCEDURE FOR SMALL UTILITIES )           |            |

ORDER

On February 13, 2003, Western Mason County Water District ( Western Mason ) filed its application for Commission approval of its proposed water rates. Commission Staff, having performed a limited financial review of Western Mason 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 19<sup>th</sup> day of March, 2003.

By the Commission

ATTEST:

  
Executive Director

STAFF REPORT  
ON  
WESTERN MASON COUNTY WATER DISTRICT  
CASE NO. 2003-00052

Pursuant to a request by Western Mason County Water District ( Western Mason ) for assistance with the preparation of a rate application for its water operations, Commission Staff ( Staff ) performed a limited financial review of Western Mason s test year operations for the calendar year ending December 31, 2001. The scope of Staff s 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.

Upon completion of the review, Staff assisted Western Mason in the development and preparation of a rate application. The application included an adjusted pro forma operating income statement wherein adjustments were made to test year operating revenues and expenses that were known and measurable and deemed to be reasonable. The rates proposed by Western Mason were based on the pro forma income statement as shown in the application. The application also includes the calculation of Western Mason s revenue requirement using a 1.2 debt service coverage, which is frequently used by the Commission to determine revenue requirements for small water utilities. To generate the revenue requirement of \$289,609, Western Mason is proposing to increase its annual revenue from water rates by \$42,776, an increase of 17.33% over normalized revenue of \$246,833.

On February 13, 2003, Western Mason filed its rate application to the Commission for consideration. Staff is hereby adopting the contents of Western Mason's application as its recommendation in this report as if fully set out herein. Eddie Beavers is responsible for all revenue adjustments and the calculation of the proposed rates. Jack Kaninberg is responsible for the determination of the revenue requirement. Based on the information included in Western Mason's application, Staff is of the opinion that the rates as shown in Attachment A of this report are reasonable and should be approved by this Commission.

Signatures

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

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

ATTACHMENT A  
STAFF REPORT CASE NO. 2003-00052  
STAFF S RECOMMENDED RATES

Monthly Water Rates

|            |                |                          |
|------------|----------------|--------------------------|
| First      | 2,000 gallons  | \$14.61 Minimum Bill     |
| Next       | 8,000 gallons  | 2.69 per 1,000 gallons   |
| Over       | 10,000 gallons | 1.94 per 1,000 gallons   |
| Bulk Sales |                | \$2.76 per 1,000 gallons |