

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE TODD)
COUNTY WATER DISTRICT FOR)
APPROVAL OF A PROPOSED INCREASE) CASE NO. 2003-00088
IN RATES FOR WATER SERVICE)

O R D E R

On June 6, 2003, Todd County Water District (Todd County) filed its application for Commission approval of its proposed water rates. Commission Staff, having performed a limited financial review of Todd County'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 17th day of July, 2003.

By the Commission

ATTEST:


Executive Director

STAFF REPORT
ON
TODD COUNTY WATER DISTRICT
CASE NO. 2003-00088

Pursuant to a request by Todd County Water District (Todd County) for assistance with the preparation of a rate application for its water operations, Commission Staff (Staff) performed a limited financial review of Todd County'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 Todd County 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 Todd County were based on the pro forma income statement as shown in the application. The application also includes the calculation of Todd County'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 \$1,399,711 Todd County is proposing to increase its annual revenue from water rates by \$342,324, an increase of 36.11% over normalized revenue from water sales of \$947,831.

Staff performed a billing analysis from usage information provided by Todd County. Todd County reported that approximately 80 new customers would be added to the system within the next year, using an average of 5,000 gallons per customer, Staff calculated an increase in operating revenues of \$33,392.38. Staff removed the City of Elkton, a wholesale customer that in the future will purchase water from the Logan Todd Regional Water Commission, resulting in a decrease to operating revenues of \$119,139.47. Staff's billing analysis further reduced operating revenues by \$27,041.18. The net reduction to operating revenue is \$112,788.

On June 6, 2003, Todd County filed its rate application to the Commission for consideration. Staff is hereby adopting the contents of Todd County's application as its recommendation in this report as if fully set out herein. Jason Green 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 Todd County'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

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

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

ATTACHMENT A
STAFF REPORT CASE NO. 2003-00088
STAFF S RECOMMENDED RATES

Monthly Water Rates

First	2,000 gallons	\$17.90 Minimum Bill
Next	8,000 gallons	9.38 per 1,000 gallons
Next	10,000 gallons	8.35 per 1,000 gallons
Next	20,000 gallons	7.33 per 1,000 gallons
Over	40,000 gallons	5.89 per 1,000 gallons