

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE CORINTH	)	
WATER DISTRICT FOR APPROVAL OF	)	CASE NO.
A PROPOSED INCREASE IN RATES	)	2003-00392
FOR WATER SERVICE	)	

O R D E R

On October 6, 2003, Corinth Water District (“Corinth”) filed its application for Commission approval of its proposed water rates. On December 11, 2003, the Commission established a procedural schedule in this proceeding that provided Commission Staff and all parties the opportunity to propound data requests to Corinth on December 29, 2003 and January 26, 2004. No data requests were propounded on December 29, 2003. Therefore, the Commission finds that the second data request permitted by the procedural schedule is not necessary and that the procedural schedule should be amended to permit Commission Staff’s report to be filed as a part of this Order and for comments thereon to be filed as set forth herein.

Commission Staff, having performed a limited financial review of Corinth’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 the procedural schedule established on December 11, 2003 is amended as set forth herein and 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 13<sup>th</sup> day of January, 2004.

By the Commission

ATTEST:

  
Executive Director

STAFF REPORT  
ON  
CORINTH WATER DISTRICT  
CASE NO. 2003-00392

Pursuant to a request by Corinth Water District (“Corinth”) for assistance with the preparation of a rate application for its water operations, Commission Staff (“Staff”) performed a limited financial review of Corinth’s test year operations for the calendar year ending December 31, 2002. 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 Corinth 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 Corinth were based on the pro forma income statement as shown in the application. The application also includes the calculation of Corinth’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. Corinth is proposing to increase its annual revenue from water rates by \$91,995, an increase of 20 percent over normalized revenues of \$459,975. This would increase the average bill for 5,000 gallons of usage from \$45.35 to \$55.83, an increase of 23.1 percent. Corinth’s requested increase does not include full recovery of pro forma

depreciation expense of \$111,864. If full recovery of depreciation expense had been requested, Corinth could justify a revenue requirement of \$650,039 and a revenue increase of \$190,064.

On October 6, 2003, Corinth filed its rate application to the Commission for consideration. Staff is hereby adopting the contents of Corinth'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 Corinth'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: Jason Green  
Rate Analyst, Communications, Water,  
and Sewer Rate Design Branch  
Division of Financial Analysis

ATTACHMENT A  
STAFF REPORT CASE NO. 2003-00392  
STAFF'S RECOMMENDED RATES

Monthly Water Rates

First	1,000	gallons	\$14.27 Minimum Bill
Next	4,000	gallons	10.39 per 1,000 gallons
Next	5,000	gallons	9.25 per 1,000 gallons
Over	10,000	gallons	8.11 per 1,000 gallons