

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SYMSONIA WATER AND	)	
SEWER DISTRICT FOR AN ADJUSTMENT OF	)	CASE NO.
RATES PURSUANT TO THE ALTERNATIVE RATE	)	2005-00197
FILING PROCEDURE FOR SMALL UTILITIES	)	

O R D E R

On May 11, 2005, Symsonia Water and Sewer District ("Symsonia") filed its application for Commission approval of its proposed water and sewer rates. Commission Staff, having performed a limited financial review of Symsonia'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 24<sup>th</sup> day of June, 2005.

By the Commission

ATTEST:

  
Executive Director

STAFF REPORT  
ON  
SYMSONIA WATER AND SEWER DISTRICT  
CASE NO. 2005-00197

Pursuant to a request by Symsonia Water and Sewer District ("Symsonia") for assistance with the preparation of a rate application for its water operations, Commission Staff ("Staff") performed a limited financial review of Symsonia's test year operations for the calendar year ending December 31, 2003. 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 Symsonia 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 Symsonia were based on the pro forma income statement as shown in the application. The application also includes the calculation of Symsonia's revenue requirement using an 88 percent Operating Ratio Method, which is frequently used by the Commission to determine revenue requirements for small water and sewer utilities.

Symsonia is proposing to increase its annual revenue from water and sewer rates by 10 percent, or \$6,971 in additional water revenue and \$6,912 in additional sewer revenue. Symsonia could have justified much higher increases of 49 percent in

additional water revenue and 24 percent in additional sewer revenue (as shown in Attachments B and C) based upon water revenue requirements of \$78,663 and sewer revenue requirements of \$86,211, but it chose not to fully fund depreciation.

On May 11, 2005, Symsonia filed its rate application to the Commission for consideration. Staff is hereby adopting the contents of Symsonia's application as its recommendation in this report as if fully set out herein. Jess Thompson 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 Symsonia'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: Jess Thompson  
Rate Analyst, Communications, Water,  
and Sewer Rate Design Branch  
Division of Financial Analysis

ATTACHMENT A  
STAFF REPORT CASE NO. 2005-00197  
STAFF'S RECOMMENDED RATES

Monthly Water Rates

5/8" x 3/4" Meter:

First	1,000	gallons	\$11.65 Minimum Bill
Next	2,000	gallons	2.91 per 1,000 gallons
Next	7,000	gallons	2.24 per 1,000 gallons
Over	10,000	gallons	1.89 per 1,000 gallons

2" Meter:

First	20,000	gallons	\$50.48 Minimum Bill
Over	20,000	gallons	1.89 per 1,000 gallons

Monthly Sewer Rates

Residential Service	\$25.64
Other	25.64 per residential equivalent*

\* A residential equivalent is defined as 12,000 gallons per month.

Symsonia Water District Attachment B	2003	Adjustment	Notes	Adjusted
Revenues	\$69,716	(\$17,357)	A	\$52,359
Employee Salaries	\$25,416	\$3,392	B	\$28,808
Officer Salaries	0	0		0
Employee Benefits	0	0		0
Purchased Power	\$2,986	0		\$2,986
Chemicals	\$5,277	0		\$5,277
Materials/Supplies	\$9,412	(\$1,762)	C	\$7,650
Contractual Services	\$5,560	(\$2,475)	D	\$3,085
Transportation Exp.	0	0		0
Insurance	\$3,331	\$169	E	\$3,500
Reg. Com Exp.	\$130	0		\$130
Bad Debt Exp.	0	0		0
Misc. Exp	\$5,297	(\$100)	F	\$5,197
<i>Tot. Utility Expense</i>	<i>\$57,409</i>	<i>(\$776)</i>		<i>\$56,633</i>
Depreciation Exp.	\$10,654	(\$440) \$172	G	\$10,386
Taxes OTI	\$1,050	\$1,154	H	\$2,204
<b>Total Op. Expense</b>	<b>\$69,113</b>	<b>\$110</b>		<b>\$69,223</b>
Net Operating Income	\$603	(\$17,467)		(\$16,864)
Interest Income	\$478	0		\$478
Net Income	\$1,081	(\$17,467)		(\$16,386)

Revenue Requirement Using 88% Operating Ratio

\$ 69,223 Total Operating Expenses  
 \$ 78,663 Divided by 88%  
 (\$52,359) Proforma Revenues  
 \$ 478 Interest Income  
 \$ 25,826 Justifiable Increase (49.3% increase)  
 \$ 6,971 Requested Increase (10% over 2003 Revenues)

**Explanatory Notes:**

- A. Normalized revenues based upon Commission Staff's billing analysis.
- B. Proforma Water Salaries Expense.
- C. Adjustment to remove one capital expenditure of \$1,762.
- D. Adjustment to remove three capital expenditures totaling \$2,475.
- E. Proforma Insurance Expense based upon rates effective in 2004.
- F. Remove \$100 expense for Christmas party.
- G. Normalized depreciation expense based upon 2003 plant, and allowing for depreciation expense on the capital expenditures taken out of expenses per notes C and D, as follows:

Expenditure	Description	Useful Life yrs.	Adjustment
\$1,762	Elementary school project – Hydrant, gate valve, etc.	50	\$35
\$770	Replaced fire hydrant	50	\$15
\$1,099	Setting 2 inch meter	10	\$110
\$605	Replaced 6 inch hydrant	50	\$12
		Total	<b>\$172</b>

H. Proforma FICA tax based upon proforma water salaries of \$28,808 times 7.65%.

Symsonia Sewer District Attachment C	2003	Adjustments	Notes	Adjusted
Revenues	\$72,718	(\$3,593)	A	\$69,125
Operations Supervision	\$5,208	\$1,696	B	\$6,904
Operations Labor and Exp.	0	0		0
Fuel/Power for Pumping	\$9,099	0		\$9,099
Chemicals	\$1,834	0		\$1,834
Misc. Supplies/Exp.	\$9,138	(\$565)	C	\$8,573
Maintenance supervision	\$5,208	\$1,696	D	\$6,904
Mt. Of Structures/Improvements	\$1,032	0		\$1,032
Admin. Salaries	\$15,000	0		\$15,000
Office Supplies & Other	0	0		0
Outside Services employed	\$856	0		\$856
Insurance Expense	\$2,921	\$169	E	\$3,090
Regulatory Commission Expense	0	0		0
Misc. General Exp.	\$4,593	(\$100)	F	\$4,493
<b>Total Sewer O&amp;M</b>	<b>\$54,889</b>	<b>\$2,896</b>		<b>\$57,785</b>
Taxes OT Income	0	\$2,204	G	\$2,204
Depreciation Exp.	\$15,491	\$103	H	\$15,594
Amortization Expense	0	\$283	I	\$283
<b>Total Operating Exp.</b>	<b>\$70,380</b>	<b>\$5,486</b>		<b>\$75,866</b>
<i>Net Operating Income</i>	<i>\$2,338</i>			
Interest Income	\$476	0		\$476
<i>Net Income</i>	<i>\$2,814</i>			

Revenue Requirement Using 88% Operating Ratio:

\$ 75,866 - Total Operating Expenses  
88% - Operating Ratio  
 \$ 86,211 - Revenue Requirement  
 (\$69,125) - Proforma Revenues  
\$ 476 - Interest Income  
 \$ 16,610 - Justifiable Increase (24%)  
 \$ 6,912 - Requested Increase (10%)

**Explanatory Notes:**

- A. Normalized revenues as determined by Commission Staff's billing analysis
- B. Operations Supervision Salaries based upon allocating 50% of O&M salaries of \$13,808.
- C. Nonrecurring charge of \$565 removed from this account; recovery allowed over two years in amortization expense.
- D. Maintenance Supervision Salaries based upon allocating 50% of O&M salaries of \$13,808.
- E. Proforma insurance expense based upon rates effective in 2004.
- F. Remove \$100 expense for Christmas party.
- G. Proforma FICA taxes based upon proforma total salaries expense of \$28,808 times 7.65%.
- H. Proforma depreciation expense based upon normalizing test year depreciation.
- I. Amortization Expense to allow two-year recovery of \$565 nonrecurring charge.