

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR RATE ADJUSTMENT FOR )  
PURCHASE PUBLIC SERVICE CORPORATION ) CASE NO. 2008-00482  
D/B/A GREAT OAKS SUBDIVISION )

O R D E R

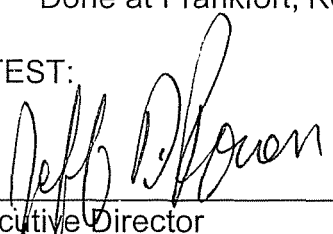
On December 8, 2008, Great Oaks Subdivision ("Great Oaks") filed its application for Commission approval of its proposed sewer rates. Commission Staff, having performed a limited financial review of Great Oaks' operations, has prepared the attached report containing its findings and recommendations regarding the proposed rates. All parties should review the report carefully and submit any written comments on Staff's findings and recommendations or requests for a hearing or an informal conference within 10 days of the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have 10 days from the date of this Order to submit written comments regarding the attached Staff Report or to request a hearing or an informal conference in this matter. If no request for a hearing or an informal conference is received by that date, this case shall stand submitted to the Commission for decision.

Done at Frankfort, Kentucky, this 3rd day of February, 2009.

ATTEST:

By the Commission

  
\_\_\_\_\_  
Executive Director

STAFF REPORT  
GREAT OAKS SUBDIVISION  
CASE NO. 2008-00482

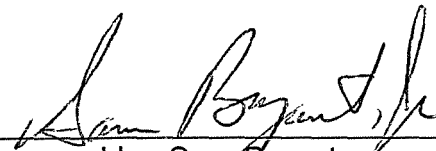
Pursuant to a request by Great Oaks Subdivision ("Great Oaks") for assistance with the preparation of a rate application, Commission Staff ("Staff") performed a limited review of the utility's test year operations for the calendar year ended December 31, 2007. The scope of Staff's review was limited 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.

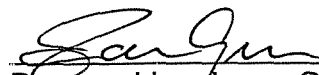
Upon completion of the review, Staff assisted Great Oaks in the development and preparation of a rate application. The application included an adjusted pro forma operating income statement wherein adjustments were made to test year operating revenues and expenses that were known and measurable and deemed to be reasonable, as shown in Attachment A. The rates proposed by Great Oaks were based on the pro forma income statement as shown in the application. The application also includes the calculation of Great Oaks' revenue requirement using an 88% operating ratio, which is frequently used by the Commission to determine revenue requirements for small sewer utilities. To generate the revenue requirement of \$56,741, Great Oaks is proposing to increase its annual revenues from sewer rates by \$5,007, an increase of 9.68 percent over normalized sewer revenues of \$51,734.

On December 8, 2008, Great Oaks filed its rate application with the Commission. Great Oaks' current rate is a flat monthly fee of \$26.31, which it proposes to increase by 9.62 percent to \$28.84. Based on its review, Staff finds that Great Oaks' statement of adjusted test period operations is reasonable and reflective of normal operations and should be used to determine the revenue requirement. Staff further finds that the method that Great Oaks used to determine its revenue requirement is correct and reasonable. Accordingly, Staff recommends approval of Great Oaks' requested rates.

Jason Green is responsible for all revenue adjustments and the calculation of the proposed rates. Sam Bryant is responsible for the determination of the revenue requirement. Based on the recommendations herein, Staff is of the opinion that the rate as shown in Attachment B of this report is reasonable and should be approved by this Commission.

Signatures

  
Prepared by: Sam Bryant  
Financial Analyst, Water and Sewer  
Revenue Requirements Branch  
Division of Financial Analysis

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

ATTACHMENT A  
STAFF REPORT CASE NO. 2008-00482

<b>Account</b>	<b>2007</b>	<b>Adjustments</b>	<b>Ref.</b>	<b>Adjusted</b>
Flat Rate Sewer Revenues	\$ 49,143	\$947		\$ 50,090
Forfeited Discounts	\$ 1,644	0		\$ 1,644
Operating Revenues	\$ 50,787	\$947	<b>A</b>	\$ 51,734
Sludge Hauling	\$ 12,860	0		\$ 12,860
Water Cost	\$ 239	0		\$ 239
Fuel-Pumping	\$ 3,836	0		\$ 3,836
Misc. Supplies	\$ 7,385	0		\$ 7,385
Routine Mt. Fee	\$ 21,162	0		\$ 21,162
Uncollectibles	\$ 634	0		\$ 634
Office Supplies	\$ 536	0		\$ 536
Outside Serv.	\$ 690	0		\$ 690
Insurance Exp.	\$ 1,990	0		\$ 1,990
Regulatory Fee	\$ 86	0		\$86
<i>Total O&amp;M Exp</i>	<i>\$ 49,418</i>	<i>0</i>		<i>\$ 49,418</i>
Depreciation	\$ 514	0		\$ 514
Amortization	0	0		0
<b>Total Exp.</b>	<b>(\$49,932)</b>	<b>0</b>		<b>(\$49,932)</b>
Net Income	\$ 855	\$947		\$ 1,802

**Revenue Requirement Calculation:**

\$ 49,932 – Operating Expenses  
 / 88% – Divided by 88% Operating Ratio  
 \$ 56,741 – Revenue Requirement  
 (\$51,734) – Normalized Revenues  
 \$ 5,007 – Requested Increase (9.68% Increase over Normalized Revenues)

**Recommended Rate:**

\$56,741 / 12 months = \$4,728.42 per month / 164 customers = \$28.8318 or **\$28.84 rounded up**

**Explanatory Notes:**

**A. Normalized Revenues** as determined by Commission Staff.



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