

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SALT RIVER)
WATER DISTRICT, OF BULLITT)
COUNTY, KENTUCKY, FOR APPROVAL OF) CASE NO. 10181
CONSTRUCTION, FINANCING, AND)
INCREASED RATES)

O R D E R

On March 3, 1988, Salt River Water District ("Salt River") filed an application requesting approval of the first phase of two phases of proposed construction, financing of the construction, and an increase in rates. By Interim Order entered March 11, 1988, the Commission granted Salt River a Certificate of Public Convenience and Necessity for the first phase of its proposed construction. On May 31, 1988, Salt River filed an amended application requesting approval of the second phase of its proposed construction, financing of this construction, and an increase in rates. By an Interim Order entered June 10, 1988, the Commission granted Salt River a Certificate of Public Convenience and Necessity for the second phase of its proposed construction per its amended application. Therefore, the requests for approval of the financing plan and increased rates will be the only matters addressed herein.

Neither Salt River nor the Commission sought a hearing in this matter. There were no intervenors and all requested information has been filed.

On April 12, 1988, the Commission Staff ("Staff") conducted a field review of Salt River's test period financial records and issued a report containing its recommendations on June 22, 1988. On June 28, 1988, Salt River filed a letter stating its acceptance of the Staff Report's findings and recommendations. After careful review and investigation of Staff's recommendations, the Commission is of the opinion that, after Staff's proposals are implemented, Salt River will have adequate cash flow to meet its operating expenses and service its existing and proposed debt. Therefore, the Commission affirms Staff's recommended increase of \$113,697, the amount requested by Salt River which represents an increase of 57.6 percent over test-year normalized revenues.

RATE DESIGN

In its report Staff recommended that the rate per 1,000 gallons should be the same for both residential and commercial users.

The Commission is of the opinion that the rate design recommended by Staff is fair to all users and should be approved. The Commission also advises Salt River to closely monitor the revenue received from its seasonal users and, should the rates granted not meet revenue projections, to take appropriate steps to modify the situation.

FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record, and being advised, is of the opinion and finds that:

1. The financing plan proposed by Salt River is for lawful objects within its corporate purposes, is necessary and

appropriate for and consistent with the proper performance of its service to the public, and will not impair its ability to perform these services. The financing plan is reasonably necessary and appropriate for such purposes and should, therefore, be approved.

2. The rates proposed by Salt River and presented in Appendix A will produce gross annual revenue from water sales of \$311,008. These revenues will be sufficient for Salt River to meet the operating expenses found reasonable for rate-making purposes, service its debt, and provide a cash surplus.

3. Within 30 days of the date of this Order, Salt River should file with this Commission its revised tariff setting out the rates approved herein.

IT IS THEREFORE ORDERED that:

1. Salt River's financing plan consisting of a \$1,030,800 loan from the Kentucky Pollution Abatement and Water Resources Finance Authority, a \$742,500 Community Development Block Grant, a \$250,000 grant from the Kentucky Department of Transportation, a \$326,000 contribution from the Kentucky Turnpike Water District, \$301,500 from private user contributions, and \$49,500 from applicants for service in the proposed project area is hereby approved.

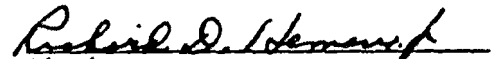
2. The rates proposed by Salt River and presented in Appendix A are approved for services rendered by Salt River on and after the date of this Order.

3. Within 30 days of the date of this Order, Salt River shall file with the Commission its revised tariff setting out the rates approved herein.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 21st day of July, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 10181 DATED 7/21/88

The following rates and charges are prescribed for the customers in the area served by Salt River Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES: Monthly

5/8 x 3/4 Inch Connection

First 3,000 gallons	\$13.00 Minimum Bill
Next 5,000 gallons	3.25 per 1,000 gallons
Next 7,000 gallons	2.75 per 1,000 gallons
Next 10,000 gallons	2.50 per 1,000 gallons
Over 25,000 gallons	2.00 per 1,000 gallons

1 Inch Connection

First 5,000 gallons	\$19.50 Minimum Bill
Next 3,000 gallons	3.25 per 1,000 gallons
Next 7,000 gallons	2.75 per 1,000 gallons
Next 10,000 gallons	2.50 per 1,000 gallons
Over 25,000 gallons	2.00 per 1,000 gallons

2 Inch Connection

First 10,000 gallons	\$34.75 Minimum Bill
Next 5,000 gallons	2.75 per 1,000 gallons
Next 10,000 gallons	2.50 per 1,000 gallons
Over 25,000 gallons	2.00 per 1,000 gallons