

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MONTGOMERY)
COUNTY WATER DISTRICT NO. 1 FOR AN)
ADJUSTMENT OF RATES PURSUANT TO) CASE NO. 2004-00032
THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

O R D E R

On January 30, 2004, Montgomery County Water District No. 1 ("Montgomery") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of Montgomery'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 19th day of March, 2004.

By the Commission

ATTEST:

Wm. H. Barber

Deputy Executive Director

STAFF REPORT
ON
MONTGOMERY COUNTY WATER DISTRICT NO. 1
CASE NO. 2004-00032

Pursuant to a request by Montgomery County Water District No. 1 ("Montgomery") for assistance with the preparation of a rate application, Commission Staff ("Staff") performed a limited financial review of Montgomery's test year operations, 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 Montgomery in the development and preparation of a rate application. The application included a pro forma income statement wherein adjustments were made to test year operating revenues and expenses that were known and measurable and deemed to be reasonable.

On January 30, 2004, Montgomery filed its rate application to the Commission for consideration. Staff is hereby adopting the contents of the application as its recommendation in this report as if fully set out herein. Jason Green is responsible for all revenue adjustments and calculation of the proposed rates. Scott Lawless is responsible for the determination of the revenue requirement.

The rates proposed by Montgomery were based on the pro forma income statement as shown in Attachment A of the application. Also, Attachment A details the calculation of revenue required from rates of \$308,954, an increase of \$15,327 or 5.22

percent over test year normalized revenues from rates of \$293,627. The proposed rates will increase the charge for 5,000 gallons of water from \$26.69 to \$28.09, or 5.28 percent. The rates proposed by Montgomery and attached hereto as Attachment A produce income sufficient to cover Montgomery's debt as required by its loan resolutions, are reasonable and should be approved by this Commission.

Signatures

Prepared by: Jack Scott Lawless, CPA
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. 2004-00032
STAFF'S RECOMMENDED RATES

Monthly Water Rates

First	2,000 gallons	\$14.98	Minimum Bill
Next	3,000 gallons	4.37	per 1,000 gallons
Next	5,000 gallons	3.83	per 1,000 gallons
All over	10,000 gallons	3.29	per 1,000 gallons
Wholesale Customer		1.75	per 1,000 gallons