

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MADISON COUNTY)
UTILITIES DISTRICT FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY TO) CASE NO.
CONSTRUCT A WATER STORAGE TANK AND) 2008-00182
A GENERAL RATE INCREASE TO FINANCE)
WATER STORAGE TANK)

ORDER

Madison County Utilities District ("Madison District") applied for a Certificate of Public Convenience and Necessity ("Certificate") to construct a \$1,286,310 waterworks improvement project, for authority to enter into a loan agreement with the Kentucky Infrastructure Authority ("KIA") for \$1,105,016; and for authority to increase its water rates. By this Order, we establish rates that will produce annual revenues from water sales of \$3,883,245, an increase of \$373,582 or 10.64 percent over normalized revenue from rates of \$3,509,663. The rates approved herein will increase the average monthly residential bill of 699 cubic feet¹ from \$30.80 to \$34.58, an increase of \$3.78, or 12.27 percent.

BACKGROUND

Madison District, a water district organized pursuant to KRS Chapter 74, is a utility subject to Commission jurisdiction. KRS 278.010(3)(d); KRS 278.015; KRS

¹ Application, Exhibit E, Rate Increase Determination.

278.040. It provides retail water service to 10,047 customers² in Madison County. It last applied for a rate adjustment in 2002.³

PROCEDURE

On May 22, 2008, Madison District tendered its application. Because of filing deficiencies, the Commission did not accept the application for filing until July 21, 2008. In its August 27, 2008 Order, the Commission granted the requested Certificate and authorized the proposed KIA loan. The rates proposed by Madison District in its application would increase the average monthly residential bill of 699 cubic feet from \$30.80 to \$31.55, an increase of \$0.75 or 2.44 percent.⁴ The rate originally proposed would generate annual revenues from water sales of \$3,595,928.

Commission Staff performed a limited financial review of Madison District's test-period operations, and issued a report on February 5, 2009 containing its findings and recommendations. In its report, Staff determined that, based upon its pro forma operations, Madison District could justify a revenue requirement from rates of \$3,883,245. But Staff recommended that the Commission approve the rates requested by Madison District, noting that Madison District's requested revenue requirement of \$3,595,928 would produce a positive cash flow of \$167,981, would be sufficient for Madison District to pay its pro forma "cash" expenses, and would allow Madison District to meet the debt service requirements of its long-term debt issuances.

² Annual Report of Madison District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2007 at 27.

³ Case No. 2002-00184, Application of Madison County Utility District (A) For Authority to Finance Construction in the Approximate Amount of \$3,000,000; (B) A Certificate of Convenience and Necessity for the Construction of Water Facilities; and (C) Adjustment of Rates (Ky. PSC Jan. 27, 2003).

⁴ Application, Exhibit E, Rate Increase Determination.

If Madison District chose to request water rates that would generate the \$3,883,245 revenue requirement that Staff determined Madison District could justify, Staff directed Madison District to amend its application. Staff further directed Madison District to provide confirmation to the Commission that it had published notice of those higher rates pursuant to 807 KAR 5:011, Section 8.

All parties were directed to file written comments regarding the Staff Report or requests for a hearing or an informal conference by February 18, 2009. On February 20, 2009, Madison District accepted Staff's recommendation and amended its application to request the total amount of revenue requirement of \$3,883,245 that it could justify. Madison submitted the requested documentation to show that it complied with Staff's direction regarding the publication of public notice of the amended rates.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record and are reasonable.
2. The water rates contained in Appendix C of the Staff Report and in Madison District's Amended Application will produce annual revenues from water sales of \$3,883,245.

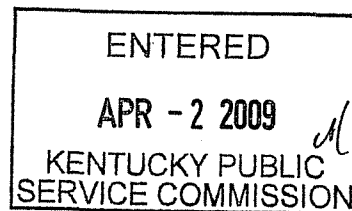
IT IS THEREFORE ORDERED that:

1. The recommendations and findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water rates contained in Madison District's Application are denied.

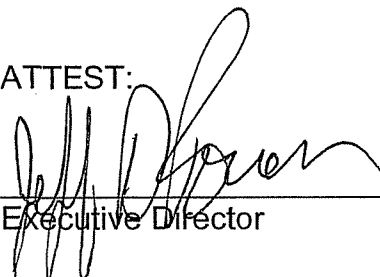
3. The water rates contained in Madison District's Amended Application and set forth in Appendix A are approved for service rendered by Madison District on and after the date of this Order and will produce gross annual revenues as found reasonable herein.

4. Within 30 days of the date of this Order, Madison District shall file with the Commission its revised tariff setting out the water rates and nonrecurring charges approved herein.

By the Commission



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00182 DATED **APR 02 2009**

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

RATES AND CHARGES

First	280	cubic feet	\$	14.97	Minimum bill
Next	720	cubic feet	\$	4.68	per 100 cubic feet
Next	3,000	cubic feet	\$	4.46	per 100 cubic feet
Next	8,000	cubic feet	\$	4.27	per 100 cubic feet
Next	88,000	cubic feet	\$	4.08	per 100 cubic feet
Over	100,000	cubic feet	\$	3.77	per 100 cubic feet

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