

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF POWELL'S VALLEY WATER)	
DISTRICT FOR THE APPROVAL OF THE)	CASE NO.
PROPOSED INCREASE IN RATES FOR)	2008-00512
WATER SERVICE)	

ORDER

On December 11, 2008, Powell's Valley Water District ("Powell's Valley") applied to the Commission for an adjustment in water rates. The rates proposed by Powell's Valley will increase the average residential bill from \$34.69 to \$41.84, an increase of \$7.25 or 20.611 percent.¹ Powell's Valley's proposed rates will generate annual revenues from water sales of \$1,034,766, an increase of \$176,777 or 20.604 percent above the normalized revenue from rates of \$857,989. By this Order, we grant Powell's Valley's requested rate relief.

Powell's Valley stated that time is of the essence because it is having significant cash flow problems that could cause it to default on the 2009 debt service payments. Staff attempted to perform a limited financial review of Powell's Valleys' test-period operations for the calendar year ending December 31, 2007. To expedite the process, Powell's Valley delivered to the Commission's offices the test period General Ledger, Accounts Payable Journal, and invoices. Staff was unable to complete its review in a timely manner because there was no clear audit trail linking the individual invoices to the entries reported in the test-period General Ledger.

¹ Application, Exhibit 6.

The only pro forma adjustment proposed by Powell's Valley in its Application was to increase depreciation expense to reflect depreciation on utility plant that was placed into service as of December 31, 2007. A Staff Report was issued on February 3, 2009 containing Staff findings and recommendations. In its report, Staff adopted the contents of Powell's Valley's application as its recommendation in the report. Staff found that the proposed revenue requirement of \$1,034,766 will allow Powell's Valley to pay its adjusted operating expenses, meet its debt service obligations, and provide for future equity growth. Staff further found that Powell's Valley's proposed rates will generate the annual revenue requirement of \$1,034,766 and recommended their approval.

Given its inability to complete the limited financial review of Powell's Valley's test-period operating revenues and expenses, Staff recommended that the Commission require Powell's Valley to implement a new accounting system that would have a clear and distinct audit trail linking the general ledger to the individual invoices. Staff also recommended that, 12 months from the date the new accounting system is implemented, a limited financial review be conducted to ensure that the rates authorized in this current proceeding are adequate and that there is no cross-subsidization between the water and sewer divisions.

All parties were directed to file written comments regarding the Staff Report or requests for a hearing or an informal conference by February 16, 2009. As of this date, no parties have submitted comments or objections or requested a hearing.

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 reasonable and should be adopted as the Commission's findings and should be incorporated by reference as if fully set out herein.

2. Powell's Valley should have 45 days from the date of this Order to implement a new accounting system as recommended by Staff and should have an additional 15 days to provide documentation to the Commission that an adequate accounting system has been implemented.

3. Within 14 months from the implementation of the new accounting system, Powell's Valley should file a written request with the Commission for Staff assistance in performing a limited financial review of its operations, as recommended by Staff in its report.

4. Powell's Valley's proposed water rates will produce annual revenues from water sales of \$1,034,766 and, therefore, should be approved.

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.

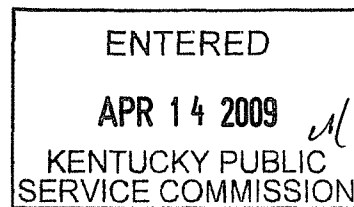
2. Powell's Valley shall have 45 days from the date of this Order to implement an accounting system as recommended by Staff and shall have an additional 15 days to provide documentation to the Commission that an adequate accounting system has been implemented.

3. Within 14 months from the implementation of the new accounting system, Powell's Valley shall file a written request with the Commission for Staff assistance in performing a limited financial review as recommended by Staff in its report.

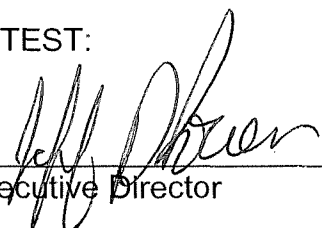
4. Powell's Valley's proposed water rates, which are set forth in the Appendix hereto, are approved for service rendered by Powell's Valley on and after the date of this Order.

5. Within 30 days of the date of this Order, Powell's Valley shall file with the Commission its revised tariff setting out the rates approved herein.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00512 DATED APR 14 2009

The following water rates and charges are prescribed for the customers in the area served by Powell's Valley 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 AND CHARGES

<u>Customer Class</u>	<u>Rates</u>	
First 2,000 Gallons (Min. Bill)	\$ 19.00	Min. Bill
Next 2,000 Gallons	\$ 8.09	Per 1,000 Gal
Next 2,000 Gallons	\$ 7.19	Per 1,000 Gal
All Over 6,000 Gallons	\$ 6.66	Per 1,000 Gal

Mr. Robert King
Powell County Attorney
525 Washington Street
P.O. Box 8
Stanton, KY 40380