

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF THE CITY OF) CASE NO. 2009-00056
LAWRENCEBURG)

ORDER

On January 20, 2009, the City of Lawrenceburg, Kentucky ("Lawrenceburg") filed a revised tariff page, and it proposes to adjust its existing rate for wholesale water service to South Anderson Water District ("South Anderson") effective for service on and after February 22, 2009. South Anderson requests that the Commission suspend the rate to determine its reasonableness. A copy of South Anderson's letter requesting suspension is attached to this Order as an Appendix.

Having considered the proposed rate revision and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of Lawrenceburg's proposed rate revision. The Commission further finds that the intervention of South Anderson is likely to present issues or to develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding.

IT IS THEREFORE ORDERED that:

1. Lawrenceburg's proposed rate revision is suspended for 5 months from February 22, 2009 up to and including July 21, 2009.
2. South Anderson is granted full intervention status in this proceeding.

3. An informal conference shall be held in this matter on March 3, 2009, beginning at 2:00 p.m., Eastern Standard Time, at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, to discuss this matter and establish a procedural schedule for this case.

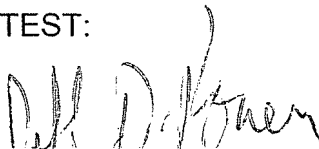
4. Service of any document or pleading shall be made in accordance with 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

5. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

Done at Frankfort, Kentucky, this 16th day of February, 2009.

By the Commission

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2009-00056 DATED FEBRUARY 16, 2009

SOUTH ANDERSON WATER DISTRICT
142 SOUTH MAIN STREET
LAWRENCEBURG, KY 40342

Telephone
502-839-6919

Fax
502-859-0424

February 6, 2009


Mr. Brent Kirtley
Public Service Commission
211 Sower Blvd.
Frankfort, Ky 40602

Re: City of Lawrenceburg Cost of Service Study

Dear Mr. Kirtley:

We have reviewed the Cost of Service study with our engineering firm (Kenvlrons, Inc); therefore we are requesting that the Public Service Commission to suspend the rate filing to investigate the reasonableness of the rate and that we want to Intervene In the proceeding.

Sincerely,
South Anderson Water District


Eddie R. Stevens
Chairman



Kenvirons, Inc.

452 Versailles Road • Frankfort, KY 40601 • Phone: (502) 695-4357 • Fax: (502) 695-4363

Civil & Environmental Engineering and Laboratory Services

February 5, 2009

Ms. Brenda Robinson
South Anderson Water District
P.O. Box 17
Lawrenceburg, Kentucky 40342

RE: Lawrenceburg Wholesale Rate Increase

Dear Ms. Robinson:

The rate analysis report regarding the determination of the wholesale rate through which the water district purchases treated water from the City of Lawrenceburg has been reviewed. There are some issues that we feel should be addressed by the City.

Page 6 of the report contains a table showing a breakdown of water quantities. This data indicates a 31% water loss which was used in the determination of the expense allocation factors. The utility regulations limit the unaccounted for water to 15%.

The jointly used pipelines shown on page 7 have not been verified but are accepted as shown for the present.

Page 9 is a listing of the water utility expenses. These expenses are not segregated into the broad functional categories of Water Supply and Treatment, Transmission and Distribution, Customer Accounts and Administration and General. Usually, there is a need to further segregate expenses into sub-function categories, i.e. meter testing as a sub-function of Transmission and Distribution. An example of what appears to be an inappropriate allocation is the \$178,000 for chemicals. It can be assumed that the chemicals expense was incurred for the water production process. The Water Production Factor, which is lower, should have been used instead of the Use Factor, resulting in less expense allocated to the water district. The same principal applies to the utilities expense of \$141,000. A significant share of this expense very probably occurred at the water treatment plant which would be allocated through a lower allocation factor. The salaries and benefits are allocated with the Water Production Factor. Salaries and benefits expenses should be segregated into the functional



categories and allocated accordingly. The Customer Accounts function includes meter reading and billing which is almost entirely a city expense. The above described issues of expense allocation are examples and not intended to be all inclusive.

It is understood that cities generally do not maintain a continued segregation of expenses by function throughout the year. It generally never becomes an issue until a cost of service study is attempted in the process of determining a wholesale rate. In the event the segregation of expenses is not available, the segregation is approximated through reasonable and appropriate estimation techniques.

It is recommended that the Public Service Commission be notified that the water district would like some time to investigate the matter with the anticipation that a mutual agreement can be accomplished between the City and water district.

If there are any questions, do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carlos F. Miller'.

Carlos F. Miller, P.E.
Vice President

CFM/pmw

Robert D Bradshaw
C.A.O
City of Lawrenceburg
205 E. Woodford Street
Lawrenceburg, KY 40342

Eddie Stevens
Chairman
South Anderson Water District
142 South Main Street
P. O. Box 17
Lawrenceburg, KY 40342