

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MONTGOMERY COUNTY)	CASE NO.
WATER DISTRICT NO. 1 FOR RATE)	2009-00343
ADJUSTMENT PURSUANT TO 807 KAR 5:076)	

ORDER

Montgomery County Water District No. 1 (“Montgomery District”) applied for authority to increase its water rates pursuant to 807 KAR 5:076. Montgomery District originally proposed to adjust its water rates to increase its operating revenues from \$226,537 to \$296,764, an increase of 31 percent, or \$70,227. By this Order, we grant Montgomery District rates that will produce annual revenues of \$301,111, an increase of \$74,574, or 33 percent, over normalized revenue from rates of \$226,537.

BACKGROUND

Montgomery District, a water district organized pursuant to KRS Chapter 74, is a utility subject to Commission jurisdiction. It provides retail water service to 690 customers in Montgomery County.¹ It last applied for a rate adjustment in 2004.²

¹ Annual Report of Montgomery District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2008 at 5 and 27.

² Case No. 2004-00032, Application of Montgomery County Water District #1 for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities (Ky. PSC Apr. 7, 2004).

PROCEDURE

Montgomery District tendered its application on August 24, 2009. Because of filing deficiencies, the Commission did not accept the application for filing until September 3, 2009. The rates proposed by Montgomery District in its application would increase the average monthly residential bill of 5,000 gallons from \$29.99 to \$39.28, an increase of \$9.29, or 31 percent.

Commission Staff performed a limited financial review of Montgomery District's test-period operations and issued a report containing its findings and recommendations on March 26, 2010. In its report, Staff determined that, based upon its pro forma operations, Montgomery District could justify a revenue requirement from rates of \$301,111. The rates that would produce the revenue requirement that Montgomery District could justify would increase the average monthly residential bill of 5,000 gallons from \$29.99 to \$39.89, an increase of \$9.90, or 33 percent.

Noting that Montgomery District's requested revenue requirement of \$296,764 would produce a positive cash flow of \$52,006, which would be sufficient for Montgomery District to pay its pro forma "cash" expenses and would allow Montgomery District to meet the debt service requirements of its long-term debt issuances, Staff recommended that the Commission approve the rates requested by Montgomery District. If Montgomery District chose to request water rates that would generate the \$301,111 revenue requirement that Staff determined Montgomery District could justify, Staff directed Montgomery District to amend its application. Staff further directed Montgomery District to provide confirmation to the Commission that it had published notice of those higher rates pursuant to 807 KAR 5:011, Section 8.

Montgomery District was directed to file written comments regarding the Staff Report or a request for a hearing or an informal conference by April 9, 2010. On April 9, 2010, Montgomery District accepted Staff's recommendation and amended its application to request the total revenue requirement of \$301,111 that it could justify. Montgomery District submitted the requested documentation to show that it complied with Staff's direction regarding the publication of notice of the amended rates.

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

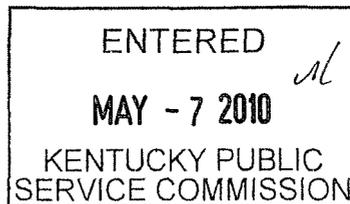
1. The recommendations and findings contained in the Staff Report are supported by the evidence of record and are reasonable.
2. The water rates requested by Montgomery District in its Amended Application and set forth in the Appendix to this Order will produce annual revenues from water sales of \$301,111.

IT IS THEREFORE ORDERED that:

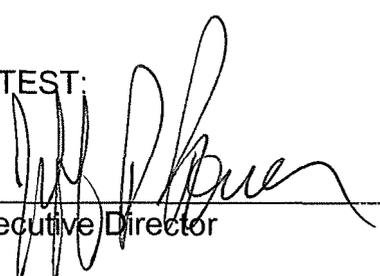
1. The recommendations and findings contained in the Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.
2. The water rates contained in Montgomery District's Application are denied.
3. The water rates contained in Montgomery District's Amended Application and set forth in the Appendix to this Order are approved for service rendered by Montgomery 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, Montgomery 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

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2009-00343 DATED **MAY - 7 2010**

The following rates are prescribed for the customers in the area served by Montgomery County Water District No. 1. 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	2,000	Gallons	\$	20.93	Minimum bill
Next	3,000	Gallons	\$	6.32	per 1,000 Gallons
Next	5,000	Gallons	\$	5.60	per 1,000 Gallons
Over	10,000	Gallons	\$	4.88	per 1,000 Gallons

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