

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BEECH GROVE WATER SYSTEM,) CASE NO.
INC. FOR AN ADJUSTMENT OF WATER RATES) 2010-00309

ORDER

On July 28, 2010, Beech Grove Water System, Inc. ("Beech Grove") submitted its application for Commission approval of proposed water service rates. Commission Staff, having performed a limited financial review of Beech Grove's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding Beech Grove's application. 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.

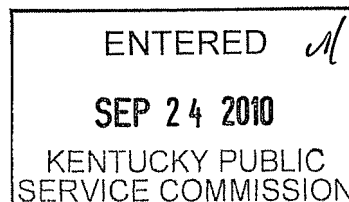
IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

By the Commission

ATTEST:



Executive Director



STAFF REPORT
ON
BEECH GROVE WATER SYSTEM, INC.
CASE NO. 2010-00309

Pursuant to a request by Beech Grove Water System, Inc. ("Beech Grove") for Commission Staff ("Staff") assistance with the preparation of an application for an adjustment of water service rates, Staff performed a limited financial review of Beech Grove's test year operations, the calendar year ended December 31, 2009. The scope of Staff's review was limited to obtaining information as to whether the test-year operating revenues and expenses were representative of normal operations. Known and measurable adjustments were made to test-year operations as allowed by 807 KAR 5:001, Section 10(7). Insignificant or immaterial discrepancies were not pursued and are not addressed herein. Upon completion of the review, Staff assisted Beech Grove in the development and preparation of an application. On July 28, 2010, Beech Grove filed the application.

As stated in the application, Beech Grove's revenue requirement from monthly water service rates is \$308,850, requiring a \$25,979, or 9.18 percent, increase over present rate revenue of \$282,871.¹ Beech Grove requested that the increase be applied to its current monthly water service rates evenly across the board.² The requested rates will increase the monthly bill of a customer using 5,000 gallons through a 5/8" x 3/4" meter connection from \$31.59 to \$34.48, a \$2.89 increase.

¹ Application, Exhibit G.

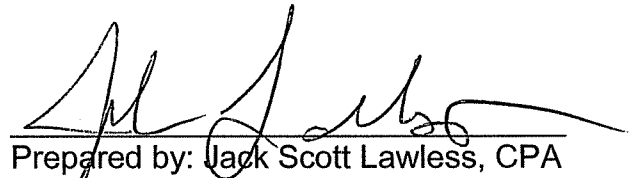
² Application at 5.

After reviewing Beech Grove's financial information and Application, Staff finds that:


1. Beech Grove's proposed adjusted operating statement, as presented in its Application, is reflective of normal operations and should be used to determine Beech Grove's revenue requirement;
2. It is appropriate to apply the requested increase across the board evenly to all monthly water service rates in this instance; and
3. The Commission should approve the rates requested by Beech Grove.

Jason Green is responsible for all revenue adjustments and calculation of the proposed water service rates. Scott Lawless is responsible for the determination of the revenue requirement.

Signatures:



Prepared by: Jack Scott Lawless, CPA
Manager, Financial Audit Branch
Division of Financial Analysis



Prepared by: Jason Green
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT

STAFF REPORT CASE NO. 2010-00309
STAFF'S RECOMMENDED WATER SERVICE RATES

Monthly Water Rates

| | | | |
|----------|---------|---------|------------------------|
| First | 2,000 | gallons | 17.62 Minimum Bill |
| Next | 98,000 | gallons | 5.62 per 1,000 gallons |
| All Over | 100,000 | gallons | 4.72 per 1,000 gallons |

Keith Stratton
President
Beech Grove Water System, Inc.
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