

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WOOD CREEK WATER)
DISTRICT FOR APPROVAL OF A PROPOSED) CASE NO. 2011-00209
INCREASE IN RATES FOR WATER SERVICE)

ORDER

Wood Creek Water District (“Wood Creek District”) applied for authority to increase its water rates. By this Order, we establish rates that will produce annual revenues from water sales of \$4,810,329, an increase of \$989,657, or 25.9 percent, over normalized revenue from rates of \$3,820,672. The approved rates will increase the average monthly residential bill of 5,000 gallons from \$31.27 to \$39.37, an increase of \$8.10, or 25.9 percent.

Wood Creek District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute and furnish water to approximately 5,189 customers in Laurel County, Kentucky.¹ It is a utility subject to Commission jurisdiction.² Wood Creek District’s most recent general rate adjustments occurred in 2005³ and 2009.⁴

¹ *Annual Report of Wood Creek Water District to the Public Service Commission For the Calendar Year Ended December 31, 2010* at 5 and 27.

² KRS 278.010(3)(d); KRS 278.015.

³ Case No. 2005-00453, *The Application of Wood Creek Water District For A Certificate of Public Convenience and Necessity To Construct, Finance And Increase Rates Pursuant To KRS 278.023* (Ky. PSC Nov. 30, 2005).

⁴ Case No. 2009-00452, *Purchased Sewer Adjustment Filing of Wood Creek Water District* (Ky. PSC Dec. 16, 2009).

Wood Creek District's application for a general rate adjustment was filed with the Commission on August 10, 2011. Wood Creek District's proposed rates would increase the average monthly residential bill of 5,000 gallons from \$31.27 to \$39.37, an increase of \$8.10, or 25.9 percent, and would generate annual revenues from water sales of \$4,810,329. Finding that further investigation of the proposed rates was necessary, the Commission initiated this proceeding and directed Commission Staff to perform a limited financial review of Wood Creek District's test-period operations.

On October 10, 2011, Commission Staff issued a report containing its findings and recommendations in which it found that Wood Creek District's pro forma operations supported the proposed revenue requirement and that the proposed rates would generate sufficient revenues to cover its reasonable expenses and its existing debt service obligations. Commission Staff recommended that the Commission approve the proposed rates.

Pursuant to the provisions of the Commission's Order of September 6, 2011, Wood Creek District was required to submit its objections to Commission Staff's findings and recommendations no later than October 24, 2011 or be deemed as accepting those findings and recommendations. Wood Creek District did not submit any objections to those findings and recommendations. On November 4, 2011, it advised the Commission that the matter should be submitted for decision based upon the existing record.

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

1. The findings and recommendations contained in the Commission Staff's report are supported by the evidence of record, are reasonable, and should be adopted.

2. The calendar year ending December 31, 2008 should be used as the test period to determine the reasonableness of Wood Creek District's existing and proposed rates.

3. Based upon pro forma test-period operations, Wood Creek District's pro forma annual revenues are \$3,908,917. Approximately \$3,820,672 of these revenues resulted from water sales.

4. Based upon pro forma test-period operations, Wood Creek District's pro forma total operating expenses, after adjusting for known and measurable changes, is \$3,586,017.

5. Given that Wood Creek District is a water district, the use of debt service coverage methodology to determine its total revenue requirement is appropriate.

6. The use of the debt service coverage provisions in Wood Creek District's long-term debt agreements with Rural Development ("RD") and Kentucky Rural Water Finance Corporation ("KRWFC") should be used to determine Wood Creek District's total revenue requirement.

7. Applying a debt service coverage of 1.2x to Wood Creek District debt that RD holds and a debt service coverage of 1.1x to debt that KRWFC holds, Wood Creek District's average debt service requirement with required coverage for the period from 2011 to 2013 is \$1,371,836.

8. Based upon adjusted test-period operations, Wood Creek District has a total revenue requirement from water sales of \$4,810,329, or \$989,657 more than its current rates produce.

9. Based upon Wood Creek District's adjusted test-period operations, the rates set forth in the Appendix to this Order will produce total revenues from water sales of \$4,810,329.

10. The rates set forth in the Appendix to this Order are the fair, just, and reasonable rates that Wood Creek District should assess for water service rendered on and after the date of this Order.

IT IS THEREFORE ORDERED that:

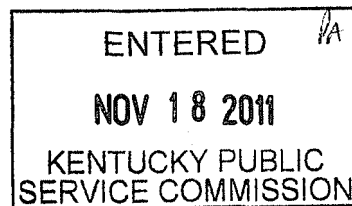
1. The informal conference and hearing scheduled in this matter are cancelled.

2. The findings and recommendations contained in the Commission Staff's report are adopted and incorporated by reference into this Order as if fully set out herein.

3. The rates set forth in the Appendix to this Order are approved for water service Wood Creek District renders on and after the date of this Order.

4. Within 20 days of the date of this Order, Wood Creek District shall file revised tariff sheets with the Commission setting forth the rates approved in this Order.

By the Commission



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2011-00209 DATED NOV 18 2011

The following rates are prescribed for the customers in the area served by Wood Creek 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.

5/8-Inch x 3/4-Inch

First 2,000 gallons	\$ 20.69 Minimum bill
Next 1,500 gallons	\$ 6.58 per 1,000 gallons
Next 1,500 gallons	\$ 5.87 per 1,000 gallons
Next 2,500 gallons	\$ 4.94 per 1,000 gallons
Over 7,500 gallons	\$ 3.90 per 1,000 gallons

1 Inch Meter

First 5,000 gallons	\$ 39.36 Minimum bill
Next 2,500 gallons	\$ 4.94 per 1,000 gallons
Over 7,500 gallons	\$ 3.90 per 1,000 gallons

1 1/2 Inch Meter

First 10,000 gallons	\$ 61.42 Minimum bill
Over 10,000 gallons	\$ 3.90 per 1,000 gallons

2 Inch Meter

First 20,000 gallons	\$100.32 Minimum bill
Over 20,000 gallons	\$ 3.90 per 1,000 gallons

3 Inch Meter

First 30,000 gallons	\$139.22 Minimum bill
Over 30,000 gallons	\$ 3.90 per 1,000 gallons

6 Inch Meter

First 100,000 gallons	\$411.55 Minimum bill
Over 100,000 gallons	\$ 3.90 per 1,000 gallons

Wholesale User Rates

East Laurel Water District	\$ 2.92 per 1,000 gallons
West Laurel Water Association	\$ 2.92 per 1,000 gallons
City Of Livingston	\$ 2.92 per 1,000 gallons

Honorable Larry G Bryson, P.S.C.
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