

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

FEB 26 2008

In the Matter of:

AN ADJUSTMENT OF RATES OF SOUTH SHORE) CASE NO.
WATER WORKS CO.) 2007-00199

STIPULATION

South Shore Water Works Co. ("South Shore") and Commission Staff stipulate the following:

1. On June 26, 2007, the Commission accepted for filing South Shore's application for rate adjustment. In its application, South Shore included a properly executed tariff sheet that contained the proposed rates and stated an effective date of August 1, 2007.

2. The Commission took no action prior to August 1, 2007 to suspend the operation of South Shore's proposed rates.

3. As the Commission took no action to suspend the proposed rates prior to August 1, 2007, the rates became effective by operation of law.

4. Based upon South Shore's test period operations, South Shore's proposed rates will generate revenue of \$677,421.

5. On November 1, 2007, Commission Staff issued a report that contained its findings and recommendations regarding the proposed rates. In this report, Commission Staff found that, based upon its test period operations, South Shore required rates sufficient to generate revenues of \$606,599.

6. Commission Staff's recommendations regarding the level of depreciation expense do not reflect depreciation expense of \$938 for certain assets that South Shore acquired after the end of the test period.

7. Commission Staff's recommendations regarding the level of health insurance expense do reflect increases of \$13,455 in policy premiums effective as of January 1, 2008.

8. Commission Staff's recommendations do not provide for recovery of \$602.50 of legal expenses that South Shore has incurred in this proceeding. Assuming that these expenses are amortized over a 3-year period, South Shore's amortized expenses for the adjusted test period would increase \$201.

9. Commission Staff's recommendations regarding pension expense do not reflect increases in pension expenses of \$1,012 resulting from a wage increase that became effective on December 21, 2007 and an employee who qualified for coverage under South Shore's existing pension plan as of January 1, 2008.

10. Commission Staff's recommendations regarding wage expenses do not reflect an increase of \$4,153 related to a 3-percent wage increase to South Shore employees, which became effective on December 21, 2007.

11. Commission Staff's recommendations regarding officer wages failed to adequately consider the full extent of Mr. Joe Hannah's duties and responsibilities and the savings resulting from Mr. Hannah performing these duties in lieu of South Shore retaining an additional water treatment plant operator. A higher level of compensation for the performance of these duties than Commission Staff originally recommended is reasonable and appropriate.

12. When the additional expenses set forth in paragraphs 6 through 11 of this Stipulation are considered, the level of revenues generated by the proposed rates will allow South Shore to meet its reasonable operating expenses and provide for adequate equity growth and are fair and reasonable.

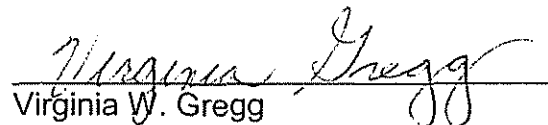
13. This stipulation is made for purposes of this proceeding only and should not be considered binding on any signatory for any other proceeding before the Commission or any other administrative agency or court.

Respectfully submitted,



R. Benjamin Crittenden
Stites and Harbison, PLLC
P.O. Box 634
421 West Main Street
Frankfort, Kentucky 40601-0634

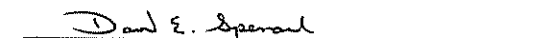
COUNSEL FOR SOUTH SHORES
WATER CO., INC.



Virginia W. Gregg
P.O. Box 615
Frankfort, Kentucky 40602-0615

COUNSEL FOR COMMISSION STAFF

HAVE SEEN AND NO OBJECTIONS:


David E. Spenard
Assistant Attorney General
1024 Capital Center Drive, Ste. 200
Frankfort, KY 40601

OFFICE OF ATTORNEY GENERAL