

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH MANCHESTER)	
WATER ASSOCIATION FOR APPROVAL OF)	
PROPOSED INCREASE IN RATES FOR)	CASE NO. 2011-00441
WATER SERVICE)	
)	

ORDER

Pursuant to 807 KAR 5:076, North Manchester Water Association (“North Manchester”) has applied for an adjustment of rates for water service. By this Order, the Commission establishes rates that will produce additional annual revenues of \$56,080, or a 7.23 percent increase over normalized revenues from rates of \$775,083. For a residential customer who consumes 5,000 gallons of water monthly, his or her monthly bill will increase from \$33.30 to \$35.76, or 7.39 percent.

North Manchester, a non-profit corporation organized pursuant to KRS Chapter 273, owns and operates facilities that distribute water to approximately 1,910 customers in Clay County, Kentucky.¹ Its last general rate adjustment occurred in June 2010.²

On November 4, 2011, North Manchester filed with the Commission its application for an adjustment of its rates for water service. It proposed rates that would produce additional revenues from water sales of \$65,524, an increase of 8.45 percent

¹ Annual Report of North Manchester Water Association to the Public Service Commission for the Calendar Year Ended December 31, 2010 at 5, 27.

² Case No. 2010-00118, *Application of North Manchester Water Association for Approval of Increased Rates for Water Service* (Ky. PSC June 15, 2010).

over pro forma revenues from water sales. For a customer who purchased 5,000 gallons of water monthly, the proposed rates would increase his or her monthly bill from \$33.30 to \$36.13.

On February 15, 2012, Commission Staff issued a report of its findings and recommendations regarding the proposed rate and North Manchester's operations during the test period. It found that, based upon North Manchester's test-period operations, North Manchester required total revenues of \$832,056 to meet its reasonable operating expenses and provide for reasonable equity growth. It further found that, to reach this level of revenue, North Manchester required a rate adjustment to generate additional annual revenue of \$56,080, or 7.23 percent, over normalized revenue from rates of \$775,083.

On February 22, 2012, North Manchester responded to the findings and recommendations contained in Commission Staff's report. It stated no objections to those findings and recommendations and further advised that that matter should be submitted to the Commission based upon the existing record. Pursuant to the Commission's Order of December 22, 2012, this matter stands submitted for decision.

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

1. The findings and recommendations contained in Commission Staff's report are supported by the evidence of record, are reasonable, and should be adopted.
2. The calendar year ending December 31, 2010 should be used as the test period to determine the reasonableness of North Manchester's existing and proposed rates.

3. Based upon pro forma test-period operations, North Manchester's pro forma annual operating revenues are \$775,976.

4. Based upon pro forma test-period operations, North Manchester's pro forma total operating expenses, after adjusting for known and measurable changes, is \$650,878.

5. A 1.20x debt service coverage ratio will permit North Manchester to meet its reasonable operating expenses and provide for fair and reasonable equity growth and should be used to determine North Manchester's total revenue requirements.

6. The average of North Manchester's annual principal and interest payments for the period from 2012 through 2014 is \$150,982.

7. Applying 1.20x debt service coverage ratio, North Manchester has a total revenue requirement of \$832,056. After elimination of other sources of operating revenue and income, North Manchester requires \$831,163 of revenues from water sales, or \$56,080 more than its current rates produce.

8. North Manchester's proposed rates will produce revenues from water sales in excess of \$831,163.

9. The rates set forth in the Appendix to this Order will produce the required total revenue requirement and should be approved.

IT IS THEREFORE ORDERED that:

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

2. North Manchester's proposed rates are denied.

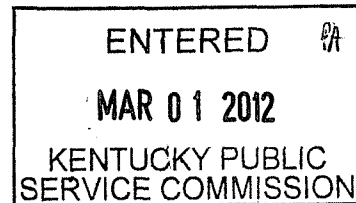
3. The rates set forth in the Appendix to this Order are approved for water service that North Manchester renders on and after the date of this Order.

4. Within 20 days of the date of this Order, North Manchester shall file a revised tariff sheet with the Commission setting forth the rates approved in this Order.

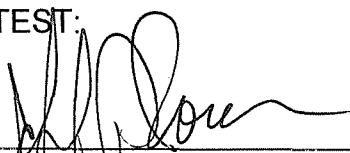
5. The informal conference and hearing scheduled in this matter are cancelled.

6. This matter is closed and shall be removed from the Commission's docket.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2011-00441 DATED **MAR 01 2012**

The following rates and charges are prescribed for the customers in the area served by North Manchester Water Association. 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 Meter

First	2,000 gallons	\$ 19.80 minimum bill
All Over	2,000 gallons	\$ 5.32 per 1,000 gallons

1-Inch Meter

First	5,000 gallons	\$ 35.71 minimum bill
All Over	5,000 gallons	\$ 5.32 per 1,000 gallons

2-Inch Meter

First	15,000 gallons	\$ 88.79 minimum bill
All Over	15,000 gallons	\$ 5.32 per 1,000 gallons

3-Meter

First	30,000 gallons	\$ 168.42 minimum bill
All Over	30,000 gallons	\$ 5.32 per 1,000 gallons

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