

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

JUL 0 2 2004

IN THE MATTER OF:

PUBLIC SERVICE COMMISSION

THE APPLICATION OF THE JOHNATHAN)	
CREEK WATER DISTRICT FOR THE APPROVAL)	CASE NO.
OF THE PROPOSED INCREASE IN RATES FOR)	2004-00273
WATER SERVICE)	

STATEMENT AND NOTICE

The Jonathan Creek Water District ("Jonathan Creek"), by counsel, pursuant to KRS 278.020, KRS 278.180, KRS 278.190, and KRS 278.300, petitions the Commission for the approval of the proposed increase in the rates and charges. In support of its application, Jonathan Creek respectfully states as follows:

- Jonathan Creek is a non-profit water district organized under KRS Chapter 74 and has no separate articles of incorporation or by-laws. Jonathan Creek's principal office address is 7564 Highway 68 East, Benton Kentucky 42025 and its mailing address is P. O. Box 414, Benton, Kentucky 42025.
- Jonathan Creek is engaged in the distribution and sale of water. As reported in its "Annual Report to the Public Service Commission for the Year Ending December 31, 2002," Jonathan Creek provides water service to approximately 1,971 residential customers, and 95 commercial customers, in Marshal County, Kentucky.
- It has been approximately 10 years since Jonathan Creek has increased its base rates.¹ In those 10 years there has been increases in the operating costs that

¹ See Case No. 1994-00073, Application of Jonathan Creek Water District for Certificate of Public Convenience and Necessity, Long Term Financing by KIA, a General Rate Adjustment and Request for a Variance on Financial Data Submitted (August 8, 1994).

have not been offset by Jonathan Creek's system growth. In an attempt to improve its financial condition Jonathan Creek implemented cost savings measures in the calendar year 2003, which have been reflected in its pro forma operations. However, the proposed increase in the rates and charges is necessary for Jonathan Creek to meet the continuing demand for adequate service and to cover its debt service. Once a sufficient level of financial data has been accumulated Jonathan Creek will review its financial situation and at that time it will take the appropriate action to revise its rates.

4. As authorized by KRS 278.192(1), and for the purpose of justifying the reasonableness of the proposed general increase in rates, Jonathan Creek has utilized an historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2002.

5. Jonathan Creek's annual reports, including the annual report for 2003, are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

6. Jonathan Creek hereby gives notice to the Public Service Commission of the adjustment of its rates to those rates set forth in Exhibit No. 1 in the filing requirements. The proposed rates will result in an increase in annual operating revenues from water sales of \$108,369, an increase of approximately 14.3 percent over normalized revenues from water sales of \$759,626. The estimated amount of increase per customer class/meter size is:

<u>Meter Size</u>	<u>Dollar Increase</u>	<u>Percentage Increase</u>
5/8 Inch Meter	\$ 71,023	13.43%
1 Inch Meter	\$ 9,181	15.85%
1 1/2 Inch Meter	\$ 7,439	17.76%
2 Inch Meter	\$ 8,150	15.44%
3 Inch Meter	\$ 2,085	15.85%
6 Inch Meter	\$ 11,164	17.23%

7. The proposed tariffs (Exhibit No. 1) are shown in comparative form on the same sheets, side by side, and those comparative sheets are identified as Exhibit No. 2 in the filing requirements.

8. Jonathan Creek has complied with 807 KAR 5:011, Section 9, (2) and 807 KAR 5:001, Section 10, (3) and (4), by delivering to newspapers of general circulation in its service area a copy of the Notice identified as Exhibit No. 13 in the filing requirements, for publishing once a week for three consecutive weeks in a prominent manner, the first of said publications has been made within (7) days of the date the Application is filed with the Commission.

9. As required by 807 KAR 5:001, Section 10, (4), (f), Jonathan Creek will post a copy of its Customer Notices (Exhibit No. 13) at its place of business on the date the Application is filed with the Commission, and it will remain posted until the Public Service Commission has determined Jonathan Creek's rates.

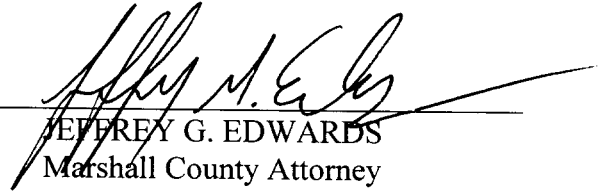
10. The lists of the documents filed in support of Jonathan Creek's application for approval of the proposed adjustment of rates or the explanations for their absence is contained in the Filing Requirement Index.

WHEREFORE, the Applicant, Jonathan Creek Water District requests the Public Service Commission of Kentucky to find that the proposed rates are fair, just, and reasonable pursuant to KRS 278.030(1).

Dated at Jonathan Creek, Kentucky, this 29th day of June, 2004.

Respectfully submitted,
JONATHAN CREEK WATER DISTRICT

By

A handwritten signature in black ink, appearing to read "Jeffrey G. Edwards", is written over a horizontal line. The signature is fluid and cursive.

JEFFREY G. EDWARDS
Marshall County Attorney
Marshall County Court House
Benton, Kentucky 42025
(270) 527-4730

Filing Requirement Index Historical Test Period Rate Case

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 8(1)	Full name and P. O. address of applicant and reference to the particular provision of law requiring PSC approval.	Application at 1.
807 KAR 5:001 Section 8(2)	The original and 10 copies of application plus copy for anyone named as interested party.	The correct number of applications has been filed.
807 KAR 5:001 Section 10(1)(b)(1)	Reason adjustment is required.	Application at 1 and 2.
807 KAR 5:001 Section 10(1)(b)(2)	Statement that utility's annual reports, including the most recent calendar year, are filed with PSC. 807 KAR 5:006, Section 3(1)	Application at 4.
807 KAR 5:001 Section 10(1)(b)(3) & (5)	If utility is incorporated, certified copy of articles of incorporation and amendments or out of state documents of similar import. If they have already been filed with PSC refer to the style and case number of the prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	Application at 1.
807 KAR 5:001 Section 10(1)(b)(4) & (5)	If applicant is limited partnership, certified copy of limited partnership agreement. If agreement filed with PSC refer to style and case number of prior proceeding and file a certificate of good standing or authorization dated within 60 days of date application filed.	N/A – Jonathan Creek is not a limited partnership.
807 KAR 5:001 Section 10(1)(b)(6)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	N/A – Jonathan Creek has never used an assumed name.
807 KAR 5:001 Section 10(1)(b)(7)	Proposed tariff in form complying with 807 KAR 5:011 effective not less than 30 days from date application filed.	Exhibit 1.
807 KAR 5:001 Section 10(1)(b)(8)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Exhibit 2.

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Historical Test Period Rate Case**

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10(1)(b)(9)	Statement that notice given, see subsections (3) and (4) of 807 KAR 5:001, Section 10 with copy.	Application at 4. Customer Notice Exhibit 12.
807 KAR 5:001 Section 10(2)	If gross annual revenues exceed \$1,000,000, written notice of intent filed at least 4 weeks prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	N/A – Jonathan Creek’s gross annual revenues for the calendar year 2002 were \$778,515, as shown in Exhibit 3.
807 KAR 5:001 Section 10 (6)(a)	Complete description and quantified explanation for proposed adjustments with support for changes in price or activity levels, and other factors affecting the adjustment.	Exhibit 4.
807 KAR 5:001 Section 10 (6)(b) & (c)	If gross annual revenues exceed \$1,000,000, prepared testimony of each witness who will support the application. If less than \$1,000,000, prepared testimony of each witness who will support application or statement that utility does not plan to submit prepared testimony.	Jonathan Creek does not plan to submit prepared testimony.
807 KAR 5:001 Section 10 (6)(d)	Estimate of effect that new rate(s) will have on revenues including, at minimum, total revenues resulting from increase or decrease and percentage of increase or decrease.	Application at 2.
807 KAR 5:001 Section 10 (6)(e)	If electric, gas, water or sewer utility effect upon the average bill for each customer classification to which change will apply.	Exhibit 6.
807 KAR 5:001 Section 10 (6)(f)	If local exchange company, effect upon the average bill for 807 each customer class for change in basic local service.	N/A – Jonathan Creek is a Water District.
807 KAR 5:001 Section 10 (6)(g)	Analysis of customers’ bills in such detail that revenues from present and proposed rates can be readily determined for each customer class.	Exhibit 5.

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Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(h)	Summary of determination of revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.	Jonathan Creek's revenue requirement is based on debt service coverage. Exhibit 7.
807 KAR 5:001 Section 10 (6)(i)	Reconciliation of rate base and capital used to determine revenue requirements.	N/A – Revenue Requirement reflects Debt Service.
807 KAR 5:001 Section 10 (6)(j):	Current chart of accounts if more detailed than the Uniform System of Accounts.	Exhibit 8.
807 KAR 5:001 Section 10 (6)(k)	Independent auditor's annual opinion report, with any written communication from auditor, which indicates existence of material weakness in internal controls.	Exhibit 13.
807 KAR 5:001 Section 10 (6)(l):	The most recent FERC or FCC audit reports.	N/A – Jonathan Creek is a Water District.
807 KAR 5:001 Section 10 (6)m	The most recent FERC Form 1 (electric), FERC Form 2 (gas), or Automated Reporting Management Information System Report (telephone) and PSC Form T (telephone).	N/A – Jonathan Creek is a Water District.
807 KAR 5:001 Section 10 (6)(n)	Summary of latest depreciation study with schedules by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall provide schedule identifying current and test period depreciation rates used by major plant accounts. If filed in another PSC case refer to that case's number and style.	Exhibit 9.
807 KAR 5:00 Section 10 (6)(o)	List of all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with the filing. Include each software, program, or model; what each was used for; its supplier; brief description and specifications for the computer hardware and the operating system required to run the program.	Excel Word

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Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(p)	Prospectuses of most recent stock or bond offerings.	N/A – Jonathan Creek is a Water District.
807 KAR 5:001 Section 10 (6)(q)	Annual report to shareholders, or members, and statistical supplements covering 2 years prior to application filing date.	N/A – Jonathan Creek is a Water District.
807 KAR 5:001 Section 10 (6)(r)	Monthly managerial reports providing financial results for 12 months in test period.	Exhibit 10.
807 KAR 5:001 Section 10 (6)(s)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued within past 2 years, and Form 10-Qs issued during the past 6 quarters updated as current information becomes available.	N/A – Jonathan Creek is a Water District.
807 KAR 5:001 Section 10 (6)(t)	<p>If utility had any amounts charged or allocated to it by affiliate or general or home office, or paid any monies to affiliate or general or home office during test period or during previous 3 calendar years, file:</p> <ol style="list-style-type: none"> Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each charge allocation or payment; Explanation of how allocator for the test period was determined; and All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable; 	N/A – There are no affiliate allocations.

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Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(u)	If gas, electric or water utility, whose annual gross revenues exceed \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from a single time period.	Rate Analysis – Exhibit 11.
807 KAR 5:001 Section 10 (6)(v)	<p>Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file:</p> <ol style="list-style-type: none"> 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies to support pricing of all services that generate annual revenue greater than \$1,000,000, except local exchange access: <ol style="list-style-type: none"> (a) Based on current and reliable data from a single time period; and (b) Using generally recognized fully allocated, embedded, or incremental cost principles. 	N/A – Jonathan Creek is a Water District.
807 KAR 5:001 Section 10 (7)(a)	Detailed income statement and balance sheet reflecting impact of all proposed adjustments	Exhibit 3.
807 KAR 5:001 Section 10 (7)(b)	Most recent capital construction budget containing at least period of time as proposed for any pro forma adjustment for plant additions.	N/A – Construction of Jonathan Creek's proposed plant addition have been completed.

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Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(c)	<p>For each proposed pro forma adjustment reflecting plant additions the following information:</p> <ol style="list-style-type: none"> 1. Starting date of the construction of each major component of plant; 2. Proposed in-service date; 3. Total estimated cost of construction at completion; 4. Amount contained in construction work in progress at end of test period; 5. Complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement; 6. Original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions; 7. Explanation of any differences in amounts contained in the capital construction budget and amounts of capital construction cost contained in the pro forma adjustment period; and 8. Impact on depreciation expense of all proposed pro forma adjustments for plant additions and retirements; 	N/A – Construction of Jonathan Creek’s proposed plant addition have been completed.

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Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(e)	Number of customers to be added to the test period – end level of customers and the related revenue requirements impact for all pro forma adjustments with complete details and supporting work papers.	Exhibit 5.

Exhibit Index

<u>Exhibit Title</u>	<u>Exhibit Number</u>
Proposed Tariff	1
Comparison – Proposed & Current Tariffs	2
Pro Forma Financial Statements	3
Pro Forma Adjustment Descriptions	4
Billing Analysis	5
Impact on Average Bill by Customer Classification	6
Revenue Requirement Determination	7
Current Chart of Accounts	8
Analysis of Depreciation	9
Monthly Managerial Reports	10
Rate Analysis	11
Customer Notification	12
2002 Audited Financial Statements	13