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MAR 22 2005

**PUBLIC SERVICE
COMMISSION**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

**THE APPLICATION OF THE MCKINNEY WATER)
DISTRICT FOR APPROVAL OF A PROPOSED) CASE NO. 2005-00114
INCREASE IN RATES FOR WATER SERVICE)**

STATEMENT AND NOTICE

McKinney Water District ("McKinney"), by counsel, pursuant to KRS 278.180 and KRS 278.190, hereby petitions the Commission for approval of a proposed increase in its water rates and charges. In support of its application, McKinney respectfully states as follows:

1. McKinney is a non-profit water district that has been engaged in the distribution and sale of water. It currently provides water service to approximately 1,763 customers in Lincoln County and Casey County, Kentucky. McKinney is organized under KRS Chapter 74; attached are its articles of incorporation and any amendments thereto. McKinney's principal office, place of business, and mailing address is 2900 Middleburg Road, P.O. Box 7, McKinney, Kentucky 40448.

2. The proposed increase in the rates and charges is necessary for McKinney to meet its operating expenses, to maintain financial viability, to cover its debt service, and to continue to provide adequate service.

3. As authorized by KRS 278.192(1), and for the purpose of justifying the reasonableness of the proposed general increase in rates, McKinney has utilized an

historical test period consisting of the twelve (12) consecutive calendar months ending December 31, 2003.

4. McKinney's annual reports are on file with the Public Service Commission as required by 807 KAR 5:006, Section 3(1).

5. McKinney 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 increased annual revenues of \$145,789, which is an increase of 27.5 percent over normalized revenues from water sales of \$529,317.

6. 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.

7. McKinney 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. 8 in the filing requirements, for publishing once a week for three consecutive weeks in a prominent manner, the first of said publications to be made no later than seven (7) days after March 8, 2005.

8. A copy of this filing has been mailed to the Utility Intervention and Rate Division of the Attorney General's office of the Commonwealth of Kentucky.

9. As required by 807 KAR 5:001, Section 10, (4), (f), McKinney will post a copy of its Customer Notices (Exhibit No. 8) at its place of business on March 8, 2005 and it will remain posted until the Public Service Commission has determined McKinney's rates.



Ernie Fletcher
Governor

LaJuana S. Wilcher, Secretary
Environmental and Public
Protection Cabinet

Christopher L. Lilly
Commissioner
Department of Public Protection

Leslie F. Gooch
McKinney Water District
P. O. Box 7
McKinney, KY 40448

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

Ellen C. Williams
Vice Chairman

Gregory Coker
Commissioner

March 16, 2005

RE: Case No. 2005-00114
McKinney Water District
(General Rates)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received March 15, 2005 and has been assigned Case No. 2005-00114. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact Jeff Cline at (502) 564-3940 ext. 218.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

BOD/jc

Leslie F. Gooch
McKinney Water District
P. O. Box 7
McKinney, KY 40448

Honorable John Hackley
Attorney at Law
P. O. Box 270
Stanford, KY 40484

10. The list of the documents filed in support of McKinney's application for approval of the proposed adjustment of rates or the explanation for their absence is contained in the Filing Requirement Index.

WHEREFORE, the Applicant, McKinney Water District requests that the Public Service Commission of Kentucky grant to the Applicant its proposal to increase its rates and charges as set forth in this Petition.

Dated at McKinney, Kentucky this 3-8-05.

McKINNEY WATER DISTRICT

By Ledie F. Good
Chairman

LAW FIRM OR ATTORNEY

By John Hackley
JOHN HACKLEY
P.O. BOX 270
STANFORD, KY 40484
(606) 365-1233

CASE 2005-00114
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10. The list of the documents filed in support of McKinney's application for approval of the proposed adjustment of rates or the explanation for their absence is contained in the Filing Requirement Index.

WHEREFORE, the Applicant, McKinney Water District requests that the Public Service Commission of Kentucky grant to the Applicant its proposal to increase its rates and charges as set forth in this Petition.

Dated at McKinney, Kentucky this 3-8-05.

McKINNEY WATER DISTRICT

By *Paul J. Hovel*
Chairman

LAW FIRM OR ATTORNEY

By _____
(Attorney's Name)
(Attorney's Address)
(Post Office Box) (3)
McKinney, Kentucky 4xxxx
(606) xxx-xxxx

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 – Page No. 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 – Page No. 1.
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 – Page No. 2.
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 – Exhibit 10
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 – McKinney 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 – McKinney 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 No. 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 No. 2.
807 KAR 5:001	Statement that notice given, see subsections (3) and (4) of	Application – Page No. 2.

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Section 10(1)(b)(9)	807 KAR 5:001, Section 10 with copy.	Exhibit No. 8.
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.	NA – Gross annual revenues for 2003 do not exceed \$1,000,000.
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 No. 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.	Commission Staff assisted with the application and therefore McKinney does not intend 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 – Page No. 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 No. 7 (Cost-of-Service Study).
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 – McKinney 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 No 5.
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.	Exhibit No. 4.

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Filing Requirements	Filing Requirement Description	Location or Absence Reason
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.	Not applicable
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.	The 2003 Audit Report is attached as Exhibit 9.
807 KAR 5:001 Section 10 (6)(l):	The most recent FERC or FCC audit reports.	N/A – McKinney 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 – McKinney 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 No. 6.
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.	Word
807 KAR 5:001 Section 10 (6)(p)	Prospectuses of most recent stock or bond offerings.	N/A – McKinney 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	N/A – McKinney is a Water District

**Filing Requirement Index
Historical Test Period Rate Case**

Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (6)(r)	<p>date. Monthly managerial reports providing financial results for 12 months in test period.</p>	<p>McKinney requests a waiver from this filing requirement as it does not produce monthly managerial reports on a routine basis, and their production at this time would result in additional expense.</p>
807 KAR 5:001 Section 10 (6)(s)	<p>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.</p>	<p>N/A – McKinney is a Water District</p>
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: 1. 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; 2. Explanation of how allocator for the test period was determined; and 3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during test period was reasonable;</p>	<p>N/A – There are no affiliate allocations.</p>

Filing Requirement Index Historical Test Period Rate Case

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.	Exhibit No. 7.
807 KAR 5:001 Section 10 (6)(v)	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: <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 – McKinney 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 No. 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.	NA – There are no pro forma adjustments for plant additions.

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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 	NA – There are no pro forma adjustments for plant additions.

**Filing Requirement Index
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Filing Requirements	Filing Requirement Description	Location or Absence Reason
807 KAR 5:001 Section 10 (7)(e)	forma adjustments for plant additions and retirements; 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 No. 4.