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April 17, 2006

David & Lorie Wise
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Georgetown, KY 40324

CERTIFICATE OF SERVICE

RE: Case No. 2005-00235
Mallard Point Disposal Systems, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on April 17, 2006.

Executive Director

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MALLARD POINT DISPOSAL SYSTEMS, INC. FOR AN ADJUSTMENT OF RATES PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	)))))	CASE NO. 2005-00235

ORDER

Mallard Point Disposal Systems, Inc. ("Mallard Point") applied to the Commission for authority to adjust its sewer rates pursuant to 807 KAR 5:076. Mallard Point proposes to increase its monthly rate for residential service from $35.29 to $52.78, an increase of $17.49 or 49.56 percent. The proposed sewer rates will generate annual revenues of $247,467, which results in an $82,018 or 49.57 percent increase over Mallard Point's normalized test-period revenues from sewer service of $165,449.[1]

By this Order, we approve a $6.06 increase in the monthly residential sewer rate of $41.35, an increase of 17.17 percent. The rate approved herein will generate annual revenues sufficient to recover the revenue requirement of $204,264, an increase of $29,921 or 17.16 percent over Staff's normalized operating revenues from sewer rates of $174,343.[2]

1

$35.29 x 376 (Residential Customers) x 12 Months =	$	159,228
$35.29 x 14.69 (Com.– Residential Equivalent) x 12 Months	+	6,221
Normalized Operating Revenues from Sewer Service	$	165,449

2

$35.29 x 397 (Residential Customers) x 12 Months =	$	168,122
$35.29 x 14.69 (Com.– Residential Equivalent) x 12 Months	+	6,221
Normalized Operating Revenues from Sewer Service	$	174,343

BACKGROUND

Mallard Point, a Subchapter S Corporation formed for the purpose of providing sewage treatment services, is a utility subject to Commission jurisdiction. KRS 278.010(3)(d); KRS 278.015; KRS 278.040. It provides retail sewer service to 397 residential customers in the subdivisions of Mallard Point, Harbor Village, and Cedar Hills, all of which are located in Scott County, Kentucky. Mallard Point also provides sewer service to one commercial customer, the Northern Elementary School. It last applied for a rate adjustment in 2003.[3]

PROCEDURE

Pursuant to a request by Mallard Point for assistance with the preparation of a rate application, Commission Staff performed a limited financial review of Mallard Point's test-period operations, the calendar year ending December 31, 2004. In performing its limited review, Staff examined the quarterly financial reports[4] filed by Mallard Point in Case No. 2003-00284, which were incorporated into the record in this proceeding by reference.

Staff developed and presented to Mallard Point a draft rate application containing an income statement with proposed operating expense reclassifications and a pro forma income statement reflecting the findings and recommendations of Staff's field review. Mallard Point agreed with Staff's operating expense reclassifications, but disagreed with

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[3] Case No. 2003-00284, Application of Mallard Point Disposal Systems, Inc. for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities (Ky. PSC May 27, 2004).

[4] Mallard Point's quarterly reports contain legible copies of the vendor invoices, copies of the chemical and maintenance reimbursement invoices, bank reconciliations, and the cash receipts and disbursements journal for the months in that quarter.

several of Staff's findings and recommendations. Mallard Point hired a consultant to revise those findings and recommendations with which it disagreed and submitted its application with those revisions.

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), was granted full intervention on July 12, 2005. Several of Mallard Point's ratepayers ("Movants")[5] submitted motions requesting full intervention in this proceeding and Mallard Point responded in opposition to those motions. In its Order of September 2, 2005, the Commission denied the motions for full intervention, but granted the Movants limited intervention. On October 11, 2005, the Commission denied Mr. Patrick's motion for reconsideration of his motion for full intervention.

The Commission, upon its own motion, established a procedural schedule on August 15, 2005, which was later modified on October 3, 2005. Commission Staff performed a limited financial review of Mallard Point's operations, and on October 12, 2005 released its report ("Staff Report") recommending that Mallard Point be allowed to increase its monthly rate for sewer service of $35.29 by $4.78 to a new level of $40.07, an increase of 13.54 percent. Staff's recommended rate would generate annual revenues from sewer service of $192,668, which is $54,799 less than Mallard Point's requested revenue of $247,467. The Order issuing the Staff Report also gave the

[5] The Movants are: Peggy van der Gaag, Jeroen van der Gaag, Lesley Floccare, David Wise, Lorie Wise, Gregory Brown, Karen Brown, Brian Stumbo, Leslie Stumbo, James Price, Carol Price, Steve McEldred, Tabatha McEldred, Robert A. Patrick, Jim Nelson, Rebecca Nelson, Charles F. Knapp, Jeffery R. Hurst, John Golding, Sharlyn Golding, Eric Freeman, James Delmoro, Joan Delmoro, Jerry Bratfish, David G. Absher, Catherine A. White, Marvin Baker, Don McNamee, Quinn Richter, Bob Warhus.

parties leave to file written comments upon Staff's findings and recommendations or to request a conference or hearing no later than October 17, 2005.

On October 17, 2005, the Attorney General and Mallard Point filed their written comments to the findings and recommendations of the Staff Report. Mr. Patrick submitted comments on November 9, 2005, in response to Mallard Point's comments to the Staff Report. Mallard Point moved the Commission to strike Mr. Patrick's comments arguing that, as a limited intervenor, Mr. Patrick does not have a right to issue data requests or otherwise engage in discovery, to attend informal conferences, to request a hearing, or to file a motion or brief, and, therefore, his written comments should be disregarded.

Upon its own motion, the Commission held a hearing in this proceeding on February 22, 2006. The only witness appearing on behalf of Mallard Point was Mark Smith, the president and sole stockholder. The witnesses appearing on behalf of the Commission Staff were Jess Thompson and Mark Frost of the Commission's Division of Financial Analysis. Mr. Patrick's written comments of November 9, 2005 were entered into the record at the hearing.[6] Mallard Point, Robert Patrick, and the Attorney General submitted post-hearing comments on March 13, 2006.

ANALYSIS AND DISCUSSION OF HEARING ISSUES

The following are the Commission's analysis and discussions of the issues raised by the parties and Staff at the hearing:

[6] Transcript of Evidence at 10.

Staff Report Modifications

In its report, Staff's findings and recommendations resulted in pro forma operating expenses of $137,240. Based upon its review of Mallard Point's and the Attorney General's comments to the Staff Report, Staff testified at the hearing to the following revisions or modifications to its findings and recommendations.

Sludge Hauling. In its letter dated September 9, 2005, Martin's Sanitation Service notified Mallard Point that effective immediately the price of hauling a 4,000 gallon load of sludge would increase from $252 to $338. Staff testified that the new fee should be included for rate-making purposes and will result in an increase to Mallard Point's pro forma sludge hauling expense of $2,871.[7]

Repairs. Because it was unable to locate the invoice supporting the $388 payment to the Pipe Eyes, Staff recommended that repairs expense be reduced by that amount. Mallard Point produced the invoice from Pipe Eyes to support the $388 cost, which Staff believes is reasonable and should be included in test-period expenses.[8] Therefore, Staff recommends that pro forma repairs expense be increased by $388 to allow recovery of this cost.

Contract Labor. Believing that the reimbursement occurring on January 2, 2004 was for services rendered in 2003, Staff recommended that test-period contract labor expense be decreased by the $400 fee paid to Mr. Hanson for two day laborers to clean

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[7] Id. at 86.

$338 (Fee Increased per Letter of 09/09/05) x 34 (Loads) =	$ 11,492
Less: Sludge Hauling Expense – Staff Report	- 8,621
Increase in Pro Forma Cost	$ 2,871

[8] Id. at 87.

the sludge tanks. After considering Mallard Point's testimony that the services were performed in 2004, Staff testified that Mallard Point's adjustment to increase contract labor expense by $400 should be accepted.[9]

Amortization Expense. In its report, Staff proposed to decrease amortization expense by $1,688 for a pro forma amortization expense level of $5,456. Staff noted that Mallard Point's accounting invoices failed to provide sufficient detail to enable it to determine that the fees charged were reasonable and, therefore, they were not included in Staff's recommended rate case amortization.

In reviewing its workpapers, Staff identified errors in the calculation of the amortization expense for legal fees and the transformer replacement.[10] Further, Staff is in agreement with the Attorney General in that Mallard Point is not entitled to recover legal fees that have been identified as unrelated to the rate case. In addition, after reviewing Mallard Point's supplemental response to its interrogatories, Staff believes that the accountant's billing report provides sufficient detail to show that the services and costs are reasonable. Staff determined, as shown in the table below, that its original amortization expense of $5,456 should be increased by $1,717 to a new pro forma level of $7,713.[11]

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[9] Id.

[10] Id. at 87-88.

[11] Id. at 88.

Description		Amount	Life		Expense
KPDES Permit	$	1,700	4	$	425
Engineering Fee – Permit	$	560	4		140
Rate Case – Legal	$	11,223	3		3,741
Legal Fees - CN 2005-00235	$	4,413	3		1,471
Accounting - CN 2005-00235	$	3,200	3		1,067
Blower Transformer	$	987	3	+	329
Revised Amortization Expense				$	7,173

Summary of Staff Modifications. Staff's modifications and revisions to its October 12, 2005 report result in an increase in pro forma operating expenses of $5,896 for a revised level of $143,136 as shown in the table below.

Pro Forma Operating Expenses - Staff Report	$	137,240
Sludge Hauling		2,871
Lab/Testing		520
Contract Labor – Explanation of invoice in the response to Staff's report		400
Repairs – Missing Invoice in supplemental response to Staff's request		388
Amortization	+	1,717
Revised Pro Forma Operating Expenses	$	143,136

Upon review of the evidence of record and Staff's proposed modifications, the Commission finds that the modifications are reasonable and should be accepted. Accordingly, the Commission has increased pro forma operating expenses of $137,240 by $5,896 to its revised level of $143,136.

Operating Revenues

At the end of the test period, Mallard Point was providing sewer service to 376 residential customers and 1 commercial customer. At the time the Staff Report was prepared the residential customers had increased to 386. Using the increased customer level, Staff calculated a residential equivalent number of 400.69[12] and applied

[12] 386 (Residential) + 14.69 (Residential Equivalent for the 1 Commercial) = 400.69.

this to the current tariffed rate to arrive at a normalized level of revenue from sewer rates of $169,684.

At the hearing Mr. Smith testified that Mallard Point is now providing service to 397 residential customers.[13] Using the increase in residential customers of 11, the Commission has calculated a residential equivalent of 411.69[14] and applied this to the current tariffed rate to arrive at a normalized level of revenue from sewer rates of $174,343. Accordingly, the Commission has increased Staff normalized operating revenue of $169,684 by $4,659 to reflect the increase in residential customers that has occurred since the Staff Report was issued.

Owner/Manager Fee

Mallard Point did not report paying compensation to its owner/manager in the test period. However, Mallard Point did include in its pro forma operations a $35,000 owner/manager fee, stating that the changes in the financial records justify its requested owner compensation.

Mallard Point provided a list of oversight duties it asserts Mr. Smith performed during the test period; however, Mallard Point was unable to provide evidence to support its assertion.[15] At the hearing Mr. Smith estimated that he spends between 3 to 4 hours per day performing his oversight duties and that the $3,600 owner/manager fee recommended by Staff results in an hourly compensation rate of $0.40 per hour.

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[13] Transcript of Evidence at 69.

[14] 397 (Residential) + 14.69 (Residential Equivalent for the 1 Commercial) = 411.69.

[15] Mallard Point's Response to the Commission Staff's First Information Request, Item 5.

Assuming Mr. Smith works 4 hours per day as claimed, the following table provides a comparison of what his hourly rate would be using Staff's recommended fee of $3,600 and Mallard Point's requested fee of $35,000:

Days per Week	$3,600 Fee	$35,000 Fee
7 Days	$ 2.47	$ 33.65
5 Days	$ 3.46	$ 24.04

In response to a Staff data request, Mallard Point explained that it has reviewed the annual reports on file with the Commission and concluded that there is a wide range of owner/manager fees being reported by similarly situated sewer utilities.[16] The Commission has reviewed the owner/manger fees reported by the utilities Mallard Point cited and finds that the owner/manger fees for those utilities have either been reduced by the Commission during rate proceedings or they included costs other than the owner/manager fees.

Mallard Point argues that because it has no expenditures for administrative and general salaries, internal supervision and engineering, or routine maintenance, that those services are provided by Mr. Smith.[17] Contrary to Mallard Point's claim, its routine maintenance is performed by Noel Norton for an annual fee of $12,000;[18] administrative services (i.e., billing/collection, bookkeeping, reporting, and accounting) are provided by outside vendors at an annual cost of $10,800; and system maintenance is performed by

[16] Mallard Point's Response to the Commission Staff's First Information Request, Item 5.

[17] Id.

[18] $1,000 (Licensed Operator Fee) x 12 Months = $12,000.

a full-time contractor for an annual fee of $29,830.[19] Staff is of the opinion that it is important to look at the total amount of cost reported by the utility for these services.

As previously mentioned, Mallard Point was able to describe in detail the services performed by Mr. Smith, but admittedly was unable to "identify with any degree of certainty" the number of hours Mr. Smith spent performing each duty. The Commission recognizes that as owner/manager Mr. Smith has certain managerial responsibilities and duties for the oversight of daily operations and of outside contractors. However, the Commission finds that for a small sewer system such as Mallard Point, that managerial oversight does not constitute full-time employment.

Mallard Point has not presented any evidence that its operations differ from those of other sewer utilities of similar size, that its system requires greater owner oversight, or that it should be granted a larger administrative salary. Given this and Mallard Point's failure to document the time spent by Mr. Smith, the Commission finds that an owner/manager fee of $35,000 is unwarranted and excessive. Therefore, the Commission denies Mallard Point's requested $35,000 owner/manager fee and accepts Staff's recommended fee of $3,600.

Transformer Replacement

In its report, Staff recommended that test-period repairs expense of $4,500 be decreased by $1,375 to: (1) remove the $987 transformer replacement, because it is a non-recurring expenditure that should be amortized; and (2) eliminate the $388 payment to Pipe Eyes previously discussed.

[19] $1,130 (Monthly Fee – Noel Norton) x 12 Months = $29,380.

Mallard Point argues that the transformers are neither a major plant component nor a major repair that extends the useful life of the asset or increases the asset's value. For these reasons, Mallard Point states that the cost of the transformer replacement was properly expensed and, therefore, requests that its *pro forma* operations be increased by $987 to reflect recovery of the full amount.

For normal financial reporting purposes, Mallard Point's position is correct; however, for rate-making purposes, the test-period expenses are reviewed to ensure that they reflect normal or ongoing operating revenues and expenses. Those expenses that are considered nonrecurring or abnormal are removed from operating expenses and amortized over their useful lives. In this instance Staff identified the transformer replacement as a nonrecurring expenditure that should be removed from operating expenses and amortized over 3 years.

In reviewing the test-period invoices, the Commission determined that the blower transformer was replaced on August 31, 2003, but Mallard Point did not pay for the replacement until May 26, 2004.[20] Further, Mr. Smith testified that the blower transformer has not been replaced since the original replacement in 2003. Mallard Point has replaced only one blower transformer since it began operations and, therefore, it should not be considered a recurring expense. Also, in reviewing the invoices, the Commission determined that the transformer replacement occurred before the test period. For these reasons the Commission finds that the transformer replacement is not a recurring annual cost and that Mallard Point's proposed adjustment should be denied.

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[20] M&M Electric, Inc. Invoice dated 03/31/2004 amount due $987.

Depreciation of the 50,000 Gallon Per Day ("GPD") Renovation

In its Order in Case No. 2003-00284 the Commission granted Mallard Point a Certificate of Convenience and Necessity ("Certificate") to rehabilitate its 50,000 GPD treatment facility and approved the proposed loan to finance the rehabilitation. Mallard Point states in its application that it began construction of the plant rehabilitation in calendar year 2005 and that it will obtain the loan at the conclusion of the project. To reflect the costs associated with the construction project in its pro forma operations, Mallard Point proposes to increase depreciation expense by $3,867[21] and interest expense by $5,144.

The Attorney General contends that because Mallard Point has not completed its rehabilitation project, the 50,000 GPD treatment facility is not in service and, therefore, proposes to reduce pro forma operating expenses by $3,867 to remove depreciation expense associated with that construction project. According to the Attorney General, since Mallard Point has not completed its rehabilitation project, the project would be classified as Construction Work In Progress ("CWIP"). The Attorney General argues that "[s]etting rates that recover depreciation expense for CWIP for the renovation project runs directly contrary to Commission precedent"[22] and cites two cases where the Commission determined that depreciation expense on CWIP should not be included for rate-making purposes.

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[21]

Sludge Removal	$ 1,960 ÷ 5 Years =	$	392
Renovation	$ 51,309 ÷ 20 Years =		2,565
Sand Blasting & Paint	$ 18,191 ÷ 20 Years =	+	910
Total Depreciation – Plant Rehabilitation		$	3,867

[22] Post-Hearing Comments of the Attorney General at 4.

The Attorney General claims that the renovations do not fall within the regulatory "known and measurable" exception, because the date on which the renovation will be complete is only speculation. According to the Attorney General, "[t]he Commission routinely rejects post-test year adjustments for salary increases in the absence of an actual approval of the increase rather than a mere good-faith projection or estimate."[23]

Mallard Point states "[t]he general rule regarding an asset under construction is that all costs are capitalized into that asset until it is placed into service. Once placed in service, depreciation can commence over the asset's useful life."[24] According to Mallard Point, its 50,000 GPD treatment facility is currently in service and has continued to be in service during the period of rehabilitation beginning in December 2004. For this reason, Mallard Point argues that its rehabilitation costs are capitalized as they are being incurred.[25]

In granting Mallard Point's request for a Certificate to rehabilitate the 50,000 GPD treatment facility, the Commission found:

> In this proceeding, Mallard Point is requesting a Certificate to rehabilitate its 50,000 GPD treatment plant. According to its Kentucky Pollutant Discharge Permit ("KPDES"), Mallard Point is permitted to treat up to 150,000 GPD. However, Mallard Point is currently only using the 100,000 GPD plant to treat wastewater and the 50,000 GPD plant as a sludge holding tank. Mallard Point's existing 100,000 GPD wastewater treatment plant is nearing full capacity. The proposed rehabilitation of the existing 50,000 GPD will bring Mallard Point's treatment capacity up to the KPDES-permitted amount.[26]

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23 Post-Hearing Comments of the Attorney General at 4.

24 Post Hearing Brief of Mallard Point at 6.

25 Id.

26 Case No. 2003-00284, Order dated November 21, 2003, Attachment C at 9.

Contrary to the Attorney General's position, Mallard Point's 50,000 GPD treatment facility has remained in service in some capacity. The rehabilitation is only returning the treatment facility to its original intent. Therefore, the Commission denies the Attorney General's proposed adjustment to eliminate depreciation on the 50,000 GPD plant rehabilitation.

Short-Term Interest

In 2004 Mallard Point ceased the practice of commingling Mr. Smith's private funds with those of the regulated utility. At that time Mallard Point realized that its operations were not profitable and Mr. Smith began making short-term loans to cover the operating losses. During the test period, the short-term loans resulted in interest expense of $2,037. Staff's position in its report is that it is the owner's responsibility to monitor the utility's financial condition and seek rate relief in a timely manner to eliminate the need to borrow funds for operating expenses. As a result, Staff does not believe it is appropriate for the present ratepayers to bear the expense of interest on loans incurred to cover past operating expenses. Therefore, Staff decreased Mallard Point's operating expenses by $2,037 to eliminate short-term interest expense.

During 2004 and 2005, Mallard Point has been forced to borrow approximately $100,000 from Mr. Smith. Mallard Point states that it did seek rate relief in a timely manner when it filed its application in Case No. 2003-00284. Mallard Point argues that in that proceeding, the Commission denied the requested rate of $45.16 because of Mallard Point's poor recordkeeping and approved a new rate of $35.29. Mallard Point claims that from the start it knew that a rate of $35.29 would be insufficient to pay the day-to-day obligations of the utility, and to finance the rehabilitation of the 50,000 GPD treatment facility. Mallard Point states that it would be ironic if the Commission denies it the ability to recover the interest or the principal on the loans from Mr. Smith it was required to pay for the recordkeeping the Commission ordered. Mallard Point believes that a denial of such recovery would serve as a *de facto* fine on Mallard Point for its poor recordkeeping.[27]

In March 2003 Mallard Point refinanced its outstanding construction loan of $400,000 and increased the balance by $280,000 to repay Mr. Smith for operating losses incurred in prior years. In its application Mallard Point states that recovering from its current customer base the interest associated with the loan for past operating losses would constitute retroactive rate-making. For this reason Mallard Point reduced long-term interest expense by 41 percent or $20,195.

As Staff stated in its report, it is the responsibility of the owner to monitor the utility's financial condition and seek rate relief in a timely manner. Mallard Point has proven that it has the means to hire an outside consultant to prepare an application, which could have been filed in 2004 when the financial records were segregated to reveal the financial condition of the utility's operations. Furthermore, the short-term loans are similar to the long-term loan Mallard Point eliminated. Allowing Mallard Point to recover from future ratepayers the losses incurred in the past would constitute retro-active rate-making. For these reasons, the Commission denies Mallard Point's proposed adjustment to include short-term interest expense.

[27] Post-Hearing Brief of Mallard Point at 7-8.

Amortization Expense.

In its filing of March 3, 2006, Mallard Point updated its rate case expense to reflect the legal and accounting fees that it has incurred from the date of the Staff Report. In reviewing those invoices the Commission determined that Mallard Point has incurred additional legal and accounting fees of $11,195 and $1,746, respectively. Furthermore, the Commission finds that the fees for the legal and accounting services are reasonable and should be included in Mallard Point's pro forma operations. The Commission has increased Staff's revised amortization expense of $7,173 by $4,314[28] to reflect amortizing these costs over 3 years.

Summary

Based on its modifications made herein to the Staff Report, the Commission finds that Mallard Point's pro forma operations should be as follows:

	Staff Report Operations	Commission Adjustments	Commission Operations
Operating Revenues	$ 169,684	$ 4,659	$ 174,343
Operating Expenses	- 137,240	- 10,210	- 147,450
Net Operating Income	$ 32,444	$ (5,551)	$ 26,893
Interest Expense	- 36,707	- 0	- 36,707
Income Available for Debt Service	$ (4,263)	$ (5,551)	$ (9,814)

REVENUE REQUIREMENT DETERMINATION

Based on the modifications to the recommendations and findings of the Staff Report, the Commission finds that Mallard Point requires a revenue requirement of $204,264 for an increase in revenues of $29,921 over normalized revenues from sewer rates of $174,343, determined as follows:

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[28]

$11,195 (Legal Fees) ÷ 3 Years =	$ 3,732
$1,746 (Accounting Fees) ÷ 3 Years =	+ 582
Increased Amortization Expense	$ 4,314

	Staff Report Increase	Commission Adjustments	Commission Increase
Pro Forma Operating Expenses	$ 137,240	$ 10,210	$ 147,450
Divided by: Operating Ratio	÷ 88 %	÷ 88 %	÷ 88%
Subtotal	$ 155,955	$ 11,602	$ 167,557
Add: Interest Expense	+ 36,707	+ 0	+ 36,707
Revenue Requirement	$ 192,662	$ 11,602	$ 204,264
Less: Operating Revenues	- 169,684	- 4,659	- 174,343
Increase in Revenues	$ 22,978	$ 6,943	$ 29,921

RATE DETERMINATION

Using the revenue requirement determined reasonable herein, the Commission calculates a residential equivalent rate of $41.35 as follows:

Revenue Requirement – Sewer Rates	$ 204,264
Divided by: 12 Months	÷ 12
Monthly Revenue Requirement	$ 17,022
Divided by: End-of-Period Customer Level	÷ 411.69
Monthly Rate	$ 41.35

IT IS THEREFORE ORDERED that:

1. Mallard Point's proposed rate would produce revenue in excess of that found reasonable herein and should be denied.

2. The recommendations and findings contained in the Staff Report, as modified herein, are adopted and incorporated by reference into this Order as if fully set out herein.

3. The rate set forth in Appendix A is approved for service rendered by Mallard Point on and after the date of this Order and will produce gross annual revenues as found reasonable herein.

4. Within 30 days of the date of this Order, Mallard Point shall file with the Commission its revised tariff setting out the rate approved herein.

5. Three years from the date of this Order, Mallard Point shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rate approved herein is sufficient to meet its operating expenses and annual debt service.

Done at Frankfort, Kentucky, this 17th day of April, 2006.

By the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2005-00235 DATED April 17, 2006.

The following rate is prescribed for the customers in the area served by the Mallard Point Disposal Systems, Inc. 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.

MONTHLY RATE

Residential Equivalent Rate	$ 41.35