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May 15, 2006

Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

CERTIFICATE OF SERVICE

RE: Case No. 2005-00477
West Laurel Water Association, 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 May 15, 2006.

Executive Director

BOD/jc
Enclosure

Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
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Frankfort, KY 40601-8204

Mr. Otis Williams
President
West Laurel Water Association, Inc.
1670 Daniel Boone Parkway, East
P. O. Box 726
London, KY 40741

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE WEST LAUREL)	
WATER ASSOCIATION, INC. FOR APPROVAL)	CASE NO. 2005-00477
OF A PROPOSED INCREASE IN RATES FOR)	
WATER SERVICE)	

O R D E R

On December 13, 2005, West Laurel Water Association, Inc. ("West Laurel") applied for an adjustment in its water rates. West Laurel's proposed rates would generate annual revenues of \$1,809,649, an increase of \$623,061, or 52.5 percent, over normalized test year sales of \$1,186,588 and would increase the monthly bill of a residential customer using 5,000 gallons of water from \$23.65 to \$35.18, an increase of \$11.53 or 48.75 percent.

Commission Staff performed a limited financial review of West Laurel's operations and prepared a report containing its findings and recommendations. In its report, Commission Staff recommended that the Commission deny the proposed rates and instead approve rates that would produce annual operating revenues from rates of \$1,806,230, a \$582,727, or 47.63 percent, increase over test-year normalized revenues from rates of \$1,223,503. Commission Staff's recommended rates would result in a monthly charge of \$34.30 for a residential customer using 5,000 gallons of water, a 45 percent increase over the charge for the same usage at current rates. In its report, Staff also discussed West Laurel's operations and their relationship to Wood Creek Water District ("Wood Creek") and East Laurel Water District ("East Laurel").

On March 22, 2006, the Commission issued the Staff Report and directed all parties to submit, within 10 days, comments on its contents and any request for an informal conference or hearing. We further directed that, if no request for an informal conference or hearing was received within this time period, this matter would stand submitted for decision. On March 31, 2006, West Laurel filed comments to the Staff Report, but did not request a hearing or conference. The Commission has received no other comments or any request for a hearing or an informal conference.¹

In its comments, West Laurel accepted Commission Staff's recommendations regarding the proposed rates, but objected to Staff's findings and recommendations regarding merger. West Laurel stated that representatives of the three water utilities have met and discussed Commission Staff's recommendations and concluded that merger of these systems would be "detrimental to the water services provided to the three (3) different and distinct water service areas and customers in those areas."² West Laurel has submitted a report in which it states its opposition to merger and its reasons therefor.³

¹ On January 4, 2006, the Commission granted the Attorney General's Motion for Intervention. Although an intervenor in this proceeding, the AG did not conduct any discovery, comment on the Staff Report or request an informal conference or hearing in this matter.

² Joint Response of East Laurel Water District and West Laurel Water Association to Staff Report at 1.

³ Public policy favors the merger of water districts when feasible. KRS 74.361(1). A reduction in the number of operating water districts in the Commonwealth is in the public interest in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, will result in a sounder and more businesslike degree of management, and will ultimately result in greater economies, less cost, and a higher degree of service to the general public. Id. Commission Staff will be available if needed to assist and facilitate discussions of this kind.

After considering the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. West Laurel's proposed rates will produce revenues in excess of those deemed reasonable and should be denied.
2. The recommendations and findings contained in the Staff Report pertaining to West Laurel's proposed rates are supported by the evidence of record, are reasonable, and should be adopted as the findings of the Commission.
3. The rates set forth in Appendix A to this Order are the fair, just, and reasonable rates that West Laurel should assess for water service rendered on and after the date of this Order.

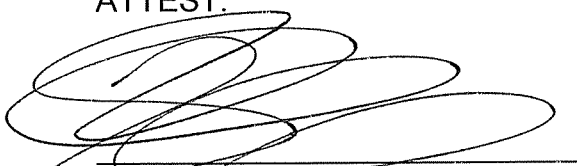
IT IS THEREFORE ORDERED that:

1. West Laurel's proposed rates are denied.
2. The rates set forth in Appendix A of this Order are approved for service rendered by West Laurel on and after the date of this Order.
3. Within 30 days of the date of this Order, West Laurel shall file with the Commission its revised tariffs setting out the rates approved herein.

Done at Frankfort, Kentucky, this 15th day of May, 2006.

By Commission

ATTEST:



Executive Director

Case No. 2005-00477

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2005-00477 DATED MAY 15, 2006.

The following rates and charges are prescribed for the customers in the area serviced by West Laurel Water Association, 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 Water Rates

5/8" Meter

First	1,000 gallons	\$10.90 Minimum Bill
Next	2,000 gallons	6.03 per 1,000 gallons
Next	2,000 gallons	5.67 per 1,000 gallons
Next	5,000 gallons	5.22 per 1,000 gallons
Over	10,000 gallons	4.05 per 1,000 gallons

1" Meter

First	5,000 gallons	\$34.30 Minimum Bill
Next	5,000 gallons	5.22 per 1,000 gallons
Over	10,000 gallons	4.05 per 1,000 gallons

2" Meter

First	20,000 gallons	\$100.90 Minimum Bill
Over	20,000 gallons	4.05 per 1,000 gallons

3" Meter

First	30,000 gallons	\$141.40 Minimum Bill
Over	30,000 gallons	4.05 per 1,000 gallons