

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF WATER RATES OF) CASE NO.
THE KNOX COUNTY UTILITY COMMISSION) 2006-00502

ORDER

On November 30, 2006, Knox County Utility Commission ("Knox") filed an application for Commission approval of proposed water rates. In its application Knox presented pro forma financial information demonstrating that its current rates for water service generate an annual revenue deficiency of \$171,693. To eliminate this deficiency and to lessen the rate shock felt by its customers Knox proposed a three-phase rate increase where rates would be increased three times over a 2-year period.

Through Knox's rate phase-in plan, rates would initially be adjusted so as to produce additional annual revenues of \$85,846. Phase-one rates would be in service for one year after which time phase-two rates would be placed into effect. Phase-two rates would produce additional annual revenues of \$42,923 and would also be effective for one year after which time phase-three rates would be placed into effect. Phase-three rates would be in effect indefinitely and will also produce additional annual revenues of \$42,923. Through administration of the proposed rate phase-in plan, Knox will have eliminated the entire revenue deficiency of \$171,693.

In conjunction with the proposed phase-in plan Knox proposed immediate elimination of the \$4 monthly surcharge assessed to the approximately 410 customers

receiving service through the "Brush Creek Project." The elimination of this surcharge would unify the water rates assessed to all Knox customers.

Knox's proposed phase-in rate plan and proposal to eliminate the \$4 monthly surcharge would change the monthly bill of a residential customer using 5,000 gallons of water per month as shown in Table I.

	Cost of 5,000 Gallons to Customers Other Than Brush Creek			Cost of 5,000 Gallons to Brush Creek Customers		
	Increase	Percent Increase	Increase/ (Decrease)	Percent		
Current Rates	\$ 32.80		\$ 36.80			
Phase One Rates	\$ 36.40	\$ 3.60 10.98%	\$ 36.40	\$ (0.40)	-1.09%	
Phase Two Rates	38.06	1.66 4.56%	38.06	1.66	4.56%	
Phase Three Rates	39.73	1.67 4.39%	39.73	1.67	4.39%	

Upon request, intervention was granted to the Attorney General of the Commonwealth of Kentucky ("Attorney General") by Order dated December 12, 2006.

By Order dated January 17, 2007, the Commission issued a Staff Report that was prepared upon review of Knox's test-year operations. The report recommended that the rate and surcharge adjustments proposed by Knox be accepted in full by the Commission. The Order granted all parties 10 days to file written comments regarding the Staff Report or requests for a hearing or informal conference. No such comments or requests were received.

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

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record, are reasonable, and should be adopted as the findings of the Commission.

2. Phase-one rates as shown in Appendix A of this Order will produce additional annual revenue from water sales of \$85,846 and shall be made effective for water service provided subsequent to the date of this Order and shall be charged for a period of one year.

3. Phase-two rates as shown in Appendix A of this Order will produce additional annual revenues of \$42,923 and shall be charged for water service provided one year after the date of this Order and shall be charged for one year.

4. Phase-three rates as shown in Appendix A of this Order will also produce additional annual revenues of \$42,923 and shall be charged for water service provided 2 years after the date of this Order.

5. From the date of this Order Knox shall cease the collection of the \$4 monthly surcharge from those customers receiving service through the "Brush Creek Project."

6. Nothing contained in this Order or the Staff Report precludes Knox from filing an application for an additional rate adjustment at any time in the future.

IT IS THEREFORE ORDERED that:

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

2. Phase-one rates as shown in Appendix A are approved for service rendered by Knox on and after the date of this Order.

3. Phase-two rates as shown in Appendix A shall become effective 12 months from the date of this Order

4. Phase-three rates as shown in Appendix A shall become effective 24 months from the date of this Order.

5. Knox shall cease collection of the \$4 monthly surcharge from the customers receiving service through the "Brush Creek Project" on and after the date of this Order.

6. Within 30 days of the date of this Order, Knox shall file with the Commission its revised tariff setting out phase-one rates.

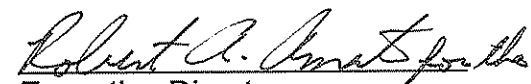
7. Thirty days prior to the effective date of phase-two and phase-three rates, Knox shall file with the Commission its revised tariff setting out those rates. Knox shall provide its customers with a one-time notice with the implementation of these rates.

8. Nothing contained herein shall preclude Knox from filing an application for rate adjustment at any time in the future.

Done at Frankfort, Kentucky, this 13th day of February, 2007.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2006-00502 DATED February 13, 2007.

The following rates and charges are prescribed for the customers in the area serviced by Knox County Utility Commission. 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.

Phase 1, 1st Year

Monthly Rate:

5/8 Inch x 3/4 Inch Meter

First	1,000 gallons	\$14.08 Minimum Bill
Over	1,000 gallons	5.58 per 1,000 gallons

1 Inch Meter

First	5,000 gallons	\$36.40 Minimum Bill
Over	5,000 gallons	5.58 per 1,000 gallons

2 Inch Meter

First	20,000 gallons	\$105.35 Minimum Bill
Over	20,000 gallons	5.58 per 1,000 gallons

3 Inch Meter

First	30,000 gallons	\$175.90 Minimum Bill
Over	30,000 gallons	5.58 per 1,000 gallons

4 Inch Meter

First	50,000 gallons	\$287.50 Minimum Bill
Over	50,000 gallons	5.58 per 1,000 gallons

Multiple Meter Connections*

\$14.08 per connection

(*See method of calculating as stated in the District's Rules and Regulations)

Phase 2, 2nd Year

Monthly Rate:

5/8 Inch x 3/4 Inch Meter

First	1,000 gallons	\$14.74 Minimum Bill
Over	1,000 gallons	5.83 per 1,000 gallons

1 Inch Meter

First	5,000 gallons	\$38.06 Minimum Bill
Over	5,000 gallons	5.83 per 1,000 gallons

2 Inch Meter

First	20,000 gallons	\$125.51 Minimum Bill
Over	20,000 gallons	5.83 per 1,000 gallons

3 Inch Meter

First	30,000 gallons	\$183.81 Minimum Bill
Over	30,000 gallons	5.83 per 1,000 gallons

4 Inch Meter

First	50,000 gallons	\$300.41 Minimum Bill
Over	50,000 gallons	5.83 per 1,000 gallons

Multiple Meter Connections*

\$14.74 per connection

(*See method of calculating as stated in the District's Rules and Regulations)

Phase 3, 3rd Year and Thereafter

Monthly Rate:

5/8 Inch x 3/4 Inch Meter

First	1,000 gallons	\$15.41 Minimum Bill
Over	1,000 gallons	6.08 per 1,000 gallons

1 Inch Meter

First	5,000 gallons	\$39.73 Minimum Bill
Over	5,000 gallons	6.08 per 1,000 gallons

2 Inch Meter

First	20,000 gallons	\$130.93 Minimum Bill
Over	20,000 gallons	6.08 per 1,000 gallons

3 Inch Meter

First	30,000 gallons	\$191.73 Minimum Bill
Over	30,000 gallons	6.08 per 1,000 gallons

4 Inch Meter

First	50,000 gallons	\$313.33 Minimum Bill
Over	50,000 gallons	6.08 per 1,000 gallons

Multiple Meter Connections*

\$15.41 per connection

(*See method of calculating as stated in the District's Rules and Regulations)