

2008-00525

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PUBLIC SERVICE
COMMISSION

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

Cunningham Water District

Name of Utility

10 State Route 1820

Cunningham, Kentucky 42035

Business Mailing Address

Telephone Number (270) 642-2797

Area Code

Number

I. Basic Information

NAME, TITLE, ADDRESS and Telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: Denver Hammonds, Treasurer

Address: P.O. Box 662

Cunningham, KY 42035

Telephone Number: (270) 642-2797

- | | | | |
|----|---|------------|----|
| 1) | Do you have 500 customers or fewer? | Yes | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? | Yes | No |
| 3) | Has the Utility filed an annual report with this Commission for the past year and the two previous years? | Yes | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | Yes | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, 2007.

- a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

See Attachment A.

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Please see the notes to Attachment A for these descriptions.

- i. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

See attachments

III. Other Information

- a. Please complete the following questions:
- 1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).
 - 2) Total number of Customers as of the date of filing: 154
 - 3) Total amount of increased revenue requested: \$7,561

- 4) Please circle Yes or No:
- a) Does the utility have any outstanding indebtedness? Yes No
- If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.
- b) Were all revenues and expenses listed in the Annual Report for 2007 incurred and collected from January 1 to December 31 of that year? Yes No
- If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.
- 5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2007 and the amount shown on this schedule. – **Depreciation schedule attached.**
- 6) If utility is a sewer utility:
- a) Attach a copy of the latest State and Federal Income Tax Returns. **Not applicable**
- b) How much of the utility plant was recovered through the sale of lots or other contributions? (If unknown, state the reason).
- Not applicable**
- b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Cunningham's operating costs have continued to increase since the last rate case. In addition, the District had a significant increase in depreciation expense due to plant additions of \$66,960 during 2007.

IV. Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing

analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using declining block rate design. This billing analysis is not intended for companies using a flat rate design.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns numbered 2 and 3 are completed by using information obtained from usage records.

Columns numbered 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1st 2,000 gallons minimum bill rate level
432 Bills
518,400 gallons used
All bills use 2,000 gallons or less, therefore, all usage is recorded in Column 4.

Step2: Next 3,000 gallons rate level
1,735 Bills
4,858,000 gallons used
1st 2,000 minimum x 1,735 bills = 3,470,000 gallons – record in Column 4.
Next 3,000 gallons – remainder of water over 2,000 = 1,388,000 gallons – record in Column 5.

Step3: Next 10,000 gallons rate level
1,830 Bills
16,268,700 gallons used
1st 2,000 minimum x 1,830 bills = 3,660,000 gallons – record in Column 4.

Next 3,000 gallons x 1,830 bills = 5,490,000 gallons –
record in Column 5.

Next 10,000 gallons – remainder of water over 3,000
= 7,118,700 gallons – record in Column 6.

Step4: Next 25,000 gallons rate level
650 Bills
15,275,000 gallons used
1st 2,000 minimum x 650 bills = 1,300,000 gallons –
record in Column 4.
Next 3,000 gallons x 650 bills = 1,950,000 gallons –
record in Column 5.
Next 10,000 gallons x 650 bills = 6,500,000 gallons –
record in Column 6.
Next 25,000 gallons – remainder of water over 10,000
= 5,525,000 gallons – record in Column 7.

Step5: Over 40,000 gallons rate level
153 Bills
9,975,600 gallons used
1st 2,000 minimum x 153 bills = 306,000 gallons –
record in Column 4.
Next 3,000 gallons x 153 bills = 459,000 gallons –
record in Column 5.
Next 10,000 gallons x 153 bills = 1,530,000 gallons –
record in Column 6.
Next 25,000 gallons x 153 bills = 3,825,000 gallons –
record in Column 7.
Over 40,000 gallons – remainder of water over 25,000
= 3,855,600 gallons – record in Column 8.

Step6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue produced.

Revenue from Present/Proposed Rates
 Test Period from 01-01-XX to 12-31-XX

USAGE TABLE
Usage by Rate Increment

Class: Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
First 2,000 Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
Totals	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

REVENUE TABLE
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
Totals	4,800	46,895,700		\$ 92,094.10 Total Revenue

Instructions for Completing Revenue Table:

- (1) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (2) Complete Column No. 4 using rates either present or proposed.
- (3) Column No. 5 is completed by first multiplying the bills times the minimum charge.
- (4) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Telephone: 502 / 564 – 3940

c. One Copy of the completed application should also be sent at the same time to:

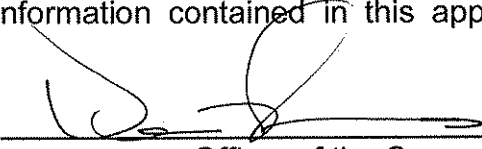
Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502 / 564 – 3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed



Officer of the Company

Title

TR 5034444

Date

12.05.08

Attachment A - Cunningham WD 2008 Proforma

Account	2007 Case	2007 AR	Adjustments	Ref.	Adjusted
Operating Revenue	\$26,677	\$28,463	\$1,780	A	\$30,243
Purchased Power Expense	\$2,013	\$2,555	(\$542)	B	\$2,013
Chemicals Expense	\$219	\$494	(\$275)	C	\$219
Materials/Supplies Expense	\$1,354	\$3,538	(\$1,031)	D	\$2,507
Contr. Serv-Mgmt Fees	\$11,339	\$13,061	(\$985)	E	\$12,076
Water Testing Expense	1,962	\$1,866	0		\$1,866
Transportation Expense		\$4	0		\$4
Insurance Expense	\$1,775	\$1,745	\$291	F	\$2,036
Miscellaneous Expense	\$3,375	\$4,836	\$969	G	\$5,805
<i>Total Water Util. Expense</i>	<i>22,037</i>	<i>\$28,099</i>			<i>\$26,526</i>
Depreciation Expense	\$4,315	\$13,875	(\$2,356)	H	\$11,519
Amortization Expense	\$5,425	0	\$5,425	I	\$5,425
Taxes OT Income	\$50	\$50	0		\$50
Total Op. Expenses	\$31,827	\$42,024	\$1,496		\$43,520
<i>Total Operating Income</i>	<i>(\$5,150)</i>	<i>(\$13,561)</i>			
Interest Income	\$3,737	\$3,937	0		\$3,937
Net Income	(\$1,413)	(\$9,624)			

2008 Revenue Requirement

\$ 43,520 – Total Operating Expenses
 \$ 49,455– Divided by 88% Operating Ratio
 (\$30,243) – Normalized Revenues
 (\$ 3,937) – Interest Income
 \$ 15,275 - Increase (50.5% increase over Normalized Revenues)
\$ 7,561 – Requested Increase (25% increase over Normalized Revenues)

Reference Notes:

A. Normalized Revenues as determined by Commission Staff's billing analysis.

B. Purchased Power Expense was adjusted to account for high line loss. In 2007, the District recorded excessive line loss of 44% due to unusual maintenance on the water tower as well as leaks. To normalize this expense, Commission Staff used the purchased power expense built into the 2007 rate case of \$2,013, an adjustment of \$542.

C. Chemicals Expense was adjusted to account for high line loss. In 2007, the District recorded excessive line loss of 44% due to unusual maintenance on the water tower as well as leaks. To normalize this expense, Commission Staff used the chemicals expense built into the 2007 rate case of \$219, an adjustment of \$275.

D. Materials and Supplies Expense was adjusted to remove a nonrecurring expenditure of \$1,031 which was reimbursed by a contractor.

E. Contractual Services – Management Fees Expense was adjusted to remove accounting entries of \$800 and \$185 which will not recur on a proforma basis.

F. Insurance Expense has been adjusted to account for an increased insurance rate from Grange Mutual of \$291.

G. Miscellaneous Expense has been adjusted for two items totaling \$969. First, postal expense increased slightly in 2008, and the estimated increase on a proforma basis is \$44. Second, bookkeeping, accounting, and administrative fees have been increased to \$4,200, consisting of \$300 per month effective June 1, 2008, plus \$600 for preparation of the financials statements and PSC annual report. This is a \$925 increase over the test period expense of \$3,275.

H. Depreciation Expense has increased substantially from the prior rate case in 2007 due to plant additions of \$66,960 during 2007. Of this amount, \$53,230 was related to tower repairs and painting which Cunningham depreciated over 7 years, for an annual expense of \$7,604. Upon examining these plant additions, the Commission Staff's Water Engineering Branch determined 10 years rather than 7 more accurately reflects their useful life, which would result in an annual expense of \$5,323, or a reduction of \$2,281. In addition, depreciation expense was also decreased by \$75 to remove the expense associated with three plant items to be fully depreciated in 2008, for a total reduction to depreciation expense of \$2,356.

I. Amortization Expense was adjusted by \$5,425 to continue to include the 3-year amortization of various expenditures that was allowed in the last rate case in 2007. This expense was not recorded in Cunningham's 2007 annual report.

Cummulative Water Docs

Department Sewer

	Initials	Date
Prepared By		
Approved By		

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G7513 ColumnWrite ©

Doc	Description	Cost	Lump	Accum		
				Open	Close	
				12-31-06	12-31-07	
1	Plant	17881750	50412	13178837	357135	13536524
2		8274	20912	8274	-	8274
3	Waste Pump Motor	17890024	7912		196143	196143
4	Plant Town	5323015	7912		760429	760429
5	Land	24892829				
		100000				
7	Meters 1977-86	479544	20912	479544	-	479544
8	87	25030	20	24414	616	25030
9	88	89436	20	89436	-	89436
10	1989-2001	595367	5412	595367	-	595367
11		1189377				
16	Main Inflow Line	1118340	20912	1118340	-	1118340
17	1988	52609	20	48655	2630	51285
18	97	35000	20	14875	1750	16625
19	95 1500 1 - 4" Line	502256	20	276243	28113	301356
20	97 New Line Installation	64175	20	31436	3309	34745
21	98 Install 6 New Meters	118050	20	50174	5903	56077
22	04 Install 4 New Meters	198500	20	29775	925	39700
23		2090021				
27	2001 Other Plant - Misc Equip	316038	20912	86911	10802	102713
28	7-18-88 PR4 Record	79747	20912	50019	3988	54007
29	89 8	60000	5	60000	-	60000
30	95 Spac. Hum	50534	7	50534	-	50534
31	Africa Equip	93710	7	93710	-	93710
32	97 Pressure Record	35000	7	35000	-	35000
33	2001 Copper	29999	7	22473	4086	27859
34		665928				
35						
36						
37						
38						
39						
40						
		28432255		16326121	1387629	17733850

JK

2008/22/55

DATE IS 11/11/07

FOR Cunningham Ky.
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

CUNNINGHAM WATER DISTRICT
(Name of Utility)

RATES & CHARGES

Monthly Rates:

First	2,000 gallons	\$12.48 Minimum Bill
Next	3,000 gallons	3.55 per 1,000 gallons
Over	5,000 gallons	2.48 per 1,000 gallons

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

Cunningham Water District
 Meter Size: 5/8 inch
 January through December 2007

	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 3,000	NEXT 5,000	NEXT 0	NEXT 0	OVER 0	TOTAL
FIRST	2,000	542	491,103	491,103						491,103
NEXT	3,000	710	2,382,104	1,420,000	962,104					2,382,104
OVER	5,000	595	4,999,464	1,190,000	1,785,000	2,024,464				4,999,464
Totals		1847	7,872,671	3,101,103	2,747,104	2,024,464	0	0	0	7,872,671

REVENUE BY RATE INCREMENT

		BILLS	GALLONS	CURRENT RATE	REVENUE	25% increase RATE	REVENUE
FIRST	2,000	1847	3,101,103	\$9.98	\$18,433.06	\$12.48	\$23,041.33
NEXT	3,000		2,747,104	2.84	7,801.78	3.55	9,752.22
OVER	5,000		2,024,464	1.98	4,008.44	2.48	5,010.55
TOTAL		1847	7,872,671		\$30,243.27		\$37,804.09

Cunningham Water District

Box 662
Cunningham, KY 42035

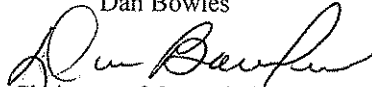
Phone 270-642-2287

December 4, 2008

Public Service Commission
PO Box 615
Frankfort, KY 40602-0605

I hereby certify that a copy of the notice of our proposed rate increase was mailed to each consumer December 2, 2008 along with their water bill for November

Dan Bowles



Chairman of Commissioners

NOTICE

Cunningham Water District has filed an application with the Public Service Commission to increase its rates for water service. The proposed effective date of the change is Jan 1, 2008 ~~2009~~.

	CURRENT RATES	PROPOSED RATES
5 / 8 inch meter		
FIRST 2,000	9.98 Minimum Bill	12.48 Minimum Bill
NEXT 3,000	2.84 per 1,000 gallons	3.55 per 1,000 gallons
OVER 5,000	1.98 per 1,000 gallons	2.48 per 1,000 gallons

Note: Average customer (5,000 gallons) bill will increase from \$18.50 to \$23.13 or 25%.

The rates contained in this notice are the rates proposed by the Cunningham Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

Any corporation, association, body politic, or person may request leave to intervene, by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the motion, including the status and interest of the party movant. Copies of the application may be obtained at no charge from the District office at 10 State Route 1820 Cunningham, Ky. Upon request from an intervenor, the District shall furnish to the intervenor a copy of the application and supporting documents.