

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT )  
FILING OF LOVELACEVILLE WATER ) CASE NO.  
COMPANY ) 2009-00381

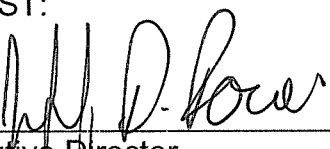
ORDER

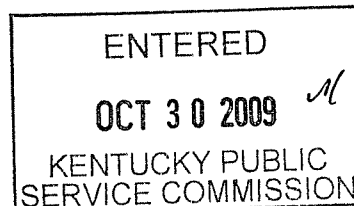
On September 21, 2009, Lovelaceville Water Company ("Lovelaceville") submitted its application for Commission approval of proposed water service rates. Commission Staff, having performed a limited financial review of Lovelaceville's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for a hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

By the Commission

ATTEST:

  
\_\_\_\_\_  
Executive Director



STAFF REPORT  
ON  
LOVELACEVILLE WATER COMPANY  
CASE NO. 2009-00381

Pursuant to a request by Lovelaceville Water Company (“Lovelaceville”) for Commission Staff (“Staff”) assistance with the preparation of an application for an adjustment of water service rates, Staff performed a limited financial review of Lovelaceville’s test-year operations, the calendar year ended December 31, 2008. The scope of Staff’s review was limited to obtaining information as to whether the test-year operating revenues and expenses were representative of normal operations. Known and measurable adjustments were made to test-year operations as allowed by 807 KAR 5:001, Section 10(7). Insignificant or immaterial discrepancies were not pursued and are not addressed herein. Upon completion of the review, Staff assisted Lovelaceville in the development and preparation of an application.

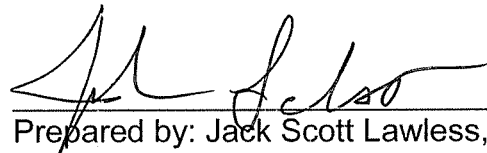
On September 21, 2009, Lovelaceville filed the application. As shown in the application, the adjusted test-year operations demonstrate that Lovelaceville could justify water service rates that generate annual revenues equal to \$21,987, a 203-percent increase over normalized test-year revenues of \$7,263. To minimize the rate shock felt by its customers, Lovelaceville requested rates that will produce only \$15,979 in annual revenues. Lovelaceville’s proposed rates would increase the monthly bill for 5,000 gallons from \$13 to \$28.60, or 120 percent.

After reviewing Lovelaceville’s financial information, Staff finds that Lovelaceville’s proposed adjusted operating statement as presented in its application is

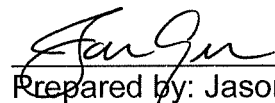
reflective of normal operations and should be used to determine Lovelaceville's revenue requirement. Although the water service rates requested by Lovelaceville, as shown in Attachment A of this report, will not produce the revenue requirement set forth in Lovelaceville's application, Staff recommends that the Commission recognize Lovelaceville's desire to minimize the rate shock felt by its customers and approve the requested rates.

Jason Green is responsible for all revenue adjustments and calculation of the proposed water service rates. Scott Lawless is responsible for the determination of the revenue requirement.

Signatures



Prepared by: Jack Scott Lawless, CPA  
Financial Analyst, Water and Sewer  
Revenue Requirements Branch  
Division of Financial Analysis



Prepared by: Jason Green  
Rate Analyst, Communications, Water,  
and Sewer Rate Design Branch  
Division of Financial Analysis

ATTACHMENT A  
STAFF REPORT CASE NO. 2009-00381  
STAFF'S RECOMMENDED WATER SERVICE RATES

Monthly Water Rates

First	3,500	gallons	\$22.00 minimum bill
Over	3,500	gallons	4.40 per 1,000 gallons

Paul S McGowan  
Owner  
Lovelaceville Water Company  
153 S. Broadway  
P. O. Box 109  
Lovelaceville, KY 42060