

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MOUNTAIN )  
WATER DISTRICT, FOR APPROVAL OF )  
CONSTRUCTION, FINANCING, AND ) CASE NO. 9864  
INCREASED WATER RATES )

O R D E R

On June 27, 1986, Marrowbone Creek Water District ("Marrowbone Creek") filed an application seeking approval of its proposed construction, financing and rate increase. On June 30, 1986, in Case No. 9499,<sup>1</sup> Marrowbone Creek was merged with the following water districts: Johns Creek Water District, Shelby Valley Water District and Pond Creek Water District to form the Mountain Water District ("Mountain"). The Commission, on December 9, 1986, without prejudice dismissed Marrowbone Creek's application due to lack of sufficient engineering information.

On February 19, 1987, Mountain filed this application seeking approval of its construction, financing and rate increase for the Marrowbone Creek portion of its operations. An Interim Order was issued April 23, 1987, addressing the issues of construction and financing. Therefore, this Order will address the issue of rate increase only.

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<sup>1</sup> Application for Approval of Merger Between Marrowbone Creek Water District, Shelby Valley Water District, Pond Creek Water District and Johns Creek Water District, issued June 27, 1986.

Neither Mountain nor the Commission sought a hearing in this matter. There were no intervenors and all requested information has been filed.

On March 21 and 22, 1987, the Commission staff conducted a field review of Mountain's test period financial records and issued its report on May 28, 1987, containing staff's recommendations. After careful review and investigation of staff's recommendations the Commission is of the opinion that Mountain will have adequate cash flow to meet its obligations and provide for future equity growth. Therefore, the Commission affirms staff's recommended increase of \$45,532 and emphasizes staff's advice regarding the consolidation of both rates and debt at the earliest possible date.

#### RATE DESIGN

In its application, Mountain filed Exhibit F that included a schedule of present and proposed rates. In its report, Staff recommended that the rates proposed by Mountain be accepted for services rendered. Therefore, the Commission is of the opinion that rates proposed by Mountain will produce revenues sufficient to cover its operating expenses and should be approved for services rendered.

#### FINDINGS AND ORDERS

1. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by Mountain in that they should produce annual revenues of \$349,763.

2. Within 30 days of the date of this Order, Mountain should file with this Commission its revised tariff sheets setting out the rates approved herein.

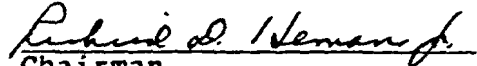
IT IS THEREFORE ORDERED that:

1. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by Mountain for service rendered on and after the date of this Order.

2. Within 30 days of the date of this Order, Mountain shall file with this Commission its revised tariff setting out the rates approved herein.

Done at Frankfort, Kentucky, this 27th day of July, 1987.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 9864 DATED JULY 27, 1987.

The following rates and charges are prescribed for the customers in the area served by Mountain Water District in the Marrowbone Creek area. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Customer Charge	\$8.00 per month
Water Use	2.10 per 1,000 gallons
Wholesale Water Sales	1.50 per 1,000 gallons