

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GREEN HILLS WATER)	
DISTRICT FOR RATE ADJUSTMENT PURSUANT)	CASE NO.
TO THE ALTERNATIVE RATE FILING PROCEDURE)	92-486
FOR SMALL UTILITIES)	

O R D E R

Green Hills Water District ("Green Hills") initiated this case pursuant to 807 KAR 5:076, the Commission's regulation for alternative rate filings for small utilities. By Order entered January 27, 1993, the Commission approved Green Hills' request for an approximate 61 percent increase in rates. Green Hills petitioned for rehearing seeking a reduction of its rates since the Farmers Home Administration ("FmHA") had decided to fund a major construction project for the district in the fall of 1993. The Commission denied Green Hills' request for rehearing by Order dated February 25, 1993.

Green Hills again requested rehearing raising new issues related to its rate request and filing a petition from some of its customers in support of the request. By Order dated April 12, 1993, the Commission granted rehearing and ordered that an informal conference be held.

Various Green Hills representatives and Commission Staff met in informal conference. Discussion of the issues in this case between Commission Staff and Green Hills representatives has

resulted in the filing of the attached Settlement Agreement which includes the following salient points:

1. Green Hills will accept a rate increase of approximately 25 percent, recognizing that FmHA will require a second rate increase in the fall of 1993 due to additional construction and financing.

2. Green Hills will file monthly income statements with the Commission until the FmHA case is filed.

3. In the event the FmHA financing/rates/construction case is not filed pursuant to KRS 278.023 by December 31, 1993, Green Hills will file another rate case no later than February 1, 1994.

4. In the event the settlement rates are insufficient to generate a positive cash flow on a monthly basis, Green Hills will immediately notify the Commission.

In determining whether the results of the Settlement Agreement are in the public interest and are reasonable, the Commission has taken into consideration the comprehensive nature of the agreement and the specific conditions imposed on Green Hills. Based on the evidence of record and being otherwise sufficiently advised, the Commission hereby finds that the Settlement Agreement is in accordance with the law and does not violate any regulatory principal. The Settlement Agreement is the product of serious arms-length negotiations among capable, knowledgeable participants, is in the public interest and results in a reasonable resolution of all issues pending in this case.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, attached as Appendix A, is adopted and approved in its entirety as a complete resolution of all issues in this case.

2. The rates appended to the Settlement Agreement are the fair, just, and reasonable rates to be charged by Green Hills for service rendered on and after the date of this Order.

3. Green Hills shall file its tariff setting forth the rates approved herein within 20 days of the date of this Order.

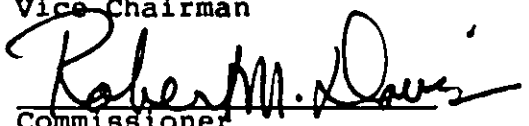
4. Green Hills shall adhere to all conditions agreed to in settlement and its first monthly income statement shall be filed no later than August 15, 1993 covering July 1993 operations.

Done at Frankfort, Kentucky, this 9th day of July, 1993.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 92-486 DATED July 9, 1993.

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SETTLEMENT AGREEMENT

On November 17, 1992, Green Hills Water District ("Green Hills") filed an application pursuant to 807 KAR 5:076 requesting an adjustment to its rates. The Commission approved Green Hills rate request by final Order issued January 27, 1993. Green Hills requested rehearing of the Commission's final decision and by Order issued February 25, 1993, the Commission denied the request. On March 24, 1993, Green Hills once again requested rehearing raising new issues related to its original rate request and included a petition signed by numerous Green Hills customers supporting the rehearing request. The Commission granted the second request for rehearing and the parties met in an informal conference on April 29, 1993.

As a result of the informal conference, Green Hills and Staff have reached agreement resolving all of the issues in this case. It is understood and agreed that:

1. Green Hills acknowledges that a rate increase is necessary to sustain its operations.

2. Green Hills represents that significant construction improving its water distribution system has been approved by FmHA and will necessitate a further rate increase when review and approval is sought from the Commission pursuant to KRS 278.023.

3. Green Hills represents that the construction authorized by FmHA will eliminate ^{some of the} current operational costs related to a water treatment system, and that treated water will be purchased after the construction.

4. Green Hills represents that its current customer base will approximately double as a result of the construction.

5. In order to gradually phase in the rates necessary to continue normal operations and provide for the future expansion of the system, Green Hills requests the Commission grant it a rate increase of 24% instead of the 61% increase granted January 27, 1993.

NOW, THEREFORE, be it resolved that:

1. Green Hills shall, after approval of this agreement by the Commission, implement the rates set forth in the Appendix.

2. Green Hills shall file a monthly income statement with the Commission by the fifteenth day of the succeeding month, the first such report due covering the calendar month in which this agreement is approved by the Commission.

3. In the event no application is filed by Green Hills pursuant to KRS 278.023 by December 31, 1993, Green Hills agrees to file an application seeking a rate increase pursuant to 807 KAR 5:076 no later than February 1, 1994.

4. In the event the rates agreed to herein are insufficient on a monthly basis to generate a positive cash flow, Green Hills agrees to immediately notify the Commission.

5. If the Commission issues an order adopting this Settlement Agreement in its entirety, Green Hills agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to Franklin Circuit Court from such order.

6. If this Settlement Agreement is not adopted in its entirety, Green Hills reserves the right to withdraw from it and go forward upon all or any matters involved herein, and that in such event the terms of the agreement shall not be deemed binding upon the signatories hereto, nor shall such agreement be admitted into evidence or referred to or relied on in any matter by any signatory hereto.

7. All the signatories hereto agree that the foregoing Settlement Agreement is reasonable and in the best interest of all concerned, and urge that this Commission adopt this agreement in its entirety.

AGREED TO BY:

Richard A. Harmon
Chairman, Green Hills Water District
for the Board of Commissioners

June 24, 1993
Date

Rebecca W. Goodman
Rebecca W. Goodman, Attorney for
Public Service Commission Staff

June 28, 1993
Date

APPENDIX TO A SETTLEMENT AGREEMENT
IN CASE NO. 92-486

GREEN HILLS WATER DISTRICT

First 2,000 gallons	\$13.15 Minimum Bill
Next 6,000 gallons	6.50 per 1,000 gallons
Over 8,000 gallons	3.15 per 1,000 gallons