

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NORTH MARSHALL WATER DISTRICT)
APPLICATION FOR (1) CERTIFICATION)
OF PUBLIC CONVENIENCE AND NECESSITY)
(2) APPROVAL OF FINANCING THROUGH) CASE NO. 94-003
K.I.A. (3) GENERAL RATE INCREASE)
(4) REQUEST FOR APPROVAL OF VARIANCE)
ON FINANCIAL DATA)

O R D E R

By Order issued April 15, 1994, Commission Staff distributed its Staff Report and cost-of-service study to the parties to this case. On April 22, 1994, Staff discovered an error on page 20 of their Staff Report. The corrected version of page 20 of the Staff Report is attached to this Order.

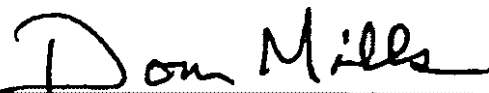
IT IS THEREFORE ORDERED that the attached page replaces the existing page 20 of the Staff Report. Any party wishing to comment on page 20 of the report shall refer to the "amended page 20."

Done at Frankfort, Kentucky, this 25th day of April, 1994.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director

Staff Conclusions

It should be noted that concern has been raised by North Marshall that its other customers have been subsidizing Kentucky Dam. Kentucky Dam purchased 45,526,800 gallons during the test year at a rate of \$1.00 per 1,000 gallons. North Marshall sold 40,209,300 gallons to its other customers at a rate of 50 cents per 1,000 gallons. It is apparent that water sold at 50 cents per 1,000 would result in a greater subsidy than water sold at a rate of \$1.00 per 1,000 gallons.

The cost of service study resulted in a fairly uniform increase for all users with the exception of the 3-inch connections. Currently, all customers, with the exception of Kentucky Dam, that use in excess of 50,000 are charged a rate of 50 cents per 1,000 gallons. The recommended rate for all over 50,000 gallons is \$1.43 per 1,000. While this results in a significant increase for the 3-inch connections, it removes the subsidization that has been occurring because of North Marshall's current rate schedule.

The following table shows the percentage increase with North Marshall's proposed rates and Staff recommended rates.

Meter Size	Average Usage	Current Bill	North Marshall Bill	%	Staff Recommended Bill	%
5/8"	10,000	\$21.50	26.19	22	31.81	48
1.0"	30,000	60.50	71.97	19	73.86	22
1.5"	40,000	77.00	153.32	99	101.26	32
2.0"	100,000	148.00	306.71	107	201.98	37
3.0"	700,000	478.00	1,632.33	242	1,085.46	127
4.0"	4,000,000	4,000.00	12,910.00	223	5,840.86	46

Staff recommends that North Marshall's rates be revised from an eight step declining block schedule to a customer charge and a three