

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NORTH)
NELSON WATER DISTRICT FOR RATE)
ADJUSTMENT PURSUANT TO THE) CASE NO. 97-255
ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

O R D E R

On June 20, 1997, North Nelson Water District ("North Nelson") filed its application for Commission approval of a proposed increase in its rates for water service. The proposed rates for water service would generate additional annual revenues of approximately \$198,201, an increase of 32 percent above adjusted test-year revenues.

On July 21, 1997, Commission Staff conducted a field review of North Nelson's test-period financial records. Based upon this review, Commission Staff issued its report on October 3, 1997, recommending the proposed rates be accepted.

The Staff Report noted that a portion of the rate increase was to recover higher purchase water costs resulting from a new purchase water contract with the Kentucky Turnpike Water District ("Kentucky Turnpike"). Since the reasonableness of the minimum purchase obligation and purchase price under that contract had not been shown to be reasonable, and the contract had not been filed by Kentucky Turnpike as required by 807 KAR 5:011, Section 13, the Staff Report recommended that all revenues collected for payment to Kentucky Turnpike be held in an interest bearing escrow account until the contract is approved by the Commission.

The Staff Report also concluded that North Nelson's operating expenses would justify an annual revenue increase of \$245,635, an increase of \$47,434 greater than requested, although the lesser amount requested would produce a positive cash flow. The Staff Report advised North Nelson that if it desired to increase its revenues to the higher level justifiable, an amended application and proof of customer notification should be filed.

By letter dated October 3, 1997, North Nelson was advised to file comments on the Staff Report or request a hearing or the case would stand submitted to the Commission for decision. North Nelson responded by amending its application to request the higher level of revenues justifiable and subsequently filed proof of customer notification.

The Commission, after considering the evidence of record and being otherwise sufficiently advised, finds:

1. The recommendations and findings contained in the Staff Report are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and are incorporated by reference as if fully set out herein.

2. North Nelson, having amended its application and given customer notice of the higher rates found justifiable by the Staff Report, should be authorized to increase its water rates to the higher level set forth in the Staff Report.

3. The rates in Appendix A, attached hereto and incorporated herein, are the fair, just, and reasonable rates for North Nelson and will produce annual revenues of

\$872,419 from water sales. These rates will allow North Nelson sufficient revenues to meet its operating expenses, and provide for future equity growth, including provisions for servicing its debt.

IT IS THEREFORE ORDERED that:

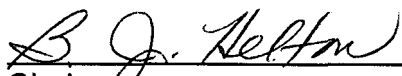
1. The rates set forth in Appendix B to the Staff Report and contained in Appendix A, attached hereto, are approved for service rendered by North Nelson on and after the date of this Order.

2. All revenues collected by North Nelson for payment to Kentucky Turnpike shall be held by North Nelson in an interest bearing escrow account until its purchase water contract with Kentucky Turnpike is approved by the Commission.

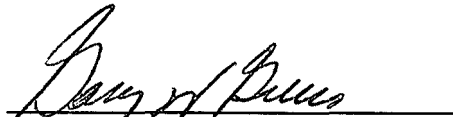
3. Within 30 days of the date of this Order, North Nelson shall file with the Commission its revised tariff setting out the rates approved herein.

Done at Frankfort, Kentucky, this 18th day of December, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 97-255 DATED DECEMBER 18, 1997

The following rates and charges are prescribed for the customers in the area served by North Nelson Water District. 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.

Rates: Monthly

First 2,000 gallons	\$13.65 Minimum Bill
Next 3,000 gallons	3.65 per 1,000 gallons
Next 5,000 gallons	3.13 per 1,000 gallons
Over 10,000 gallons	2.78 per 1,000 gallons
Truck Loading Station	6.50 per 1,000 gallons