

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF MARTIN COUNTY)
WATER DISTRICT TO ADD SEWER SERVICE) CASE NO. 99-382

O R D E R

On August 31, 1999, Martin County Water District (Martin) filed a tariff with the Commission wherein it proposed to add a rate for the provision of sewer service. On September 17, 1999, the Commission issued an Order suspending the proposed tariff through February 29, 2000 in order to investigate the reasonableness of the proposed rate.

Martin is involved in a demonstration project, funded by the PRIDE program, and administered by the U.S. Army Corps of Engineers, that will provide sewer service to six homes in Lovely, Martin County, Kentucky. While the PRIDE program provided construction financing, it is Martin s responsibility to operate and maintain the system.

TEST PERIOD

Since Martin s sewer operations are new, test-period financial information does not exist. Estimated pro forma expenses have been utilized for the determination of Martin s revenue requirement.

PROJECTED REVENUES AND EXPENSES

Martin projected operating expenses on the basis of providing sewer service to six customers. The Commission is of the opinion that the projected operating expenses are generally proper, and they have therefore been accepted.

REVENUE REQUIREMENT

Martin's requested sewer rate is based on its projected operating expenses and does not include depreciation expense or a surplus to allow for equity growth. In a case such as this where sewer operations have not commenced it is difficult to estimate or project operating revenues and expenses until the system has actual operating results. Therefore, the Commission has granted the amount of revenues requested by Martin, but advises that Martin should review its financial position after one year of operating its sewer system. Should Martin deem it necessary to make adjustments, it should apply to the Commission for authority. The Commission will monitor Martin's financial condition through review of Martin's annual reports.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Martin currently does not provide sewer service to any customers.
2. The proposed tariff is only for service to the six homes specified in this demonstration project.
3. Martin has provided proper and adequate justification for the proposed rate for sewer service for this specific project.

4. The proposed rate for sewer service for this specific project is fair, just, and reasonable.

IT IS THEREFORE ORDERED that:

1. The sewer rate proposed by Martin, attached as Appendix A, is hereby approved for services rendered on and after the date of this Order.

2. Within 20 days from the date of this Order, Martin shall file a tariff with the proper effective date.

Done at Frankfort, Kentucky, this 21st day of October, 1999.

By the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-382 DATED OCTOBER 21, 1999

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

Monthly Rates:

Sewer Service	Lovely, Ky., PRIDE Demonstration Project	\$26.25 per month
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