

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE LAKE VILLAGE)	
WATER ASSOCIATION, INC. FOR APPROVAL)	CASE NO.
OF PROPOSED INCREASE IN RATES FOR)	2003-00401
WATER SERVICE)	

ORDER

On October 20, 2003, Lake Village Water Association, Inc. ("Lake Village") filed an application requesting to increase its rates for water service. The proposed rates would produce annual revenues in the amount of \$1,022,428, an increase of \$304,149 or 42.34 percent over normalized revenues as determined by Lake Village of \$718,278. The proposed rates would increase the monthly cost of 5,000 gallons from \$35.52 to \$43.86, an increase of 23.47 percent. Intervention in the case was requested by and granted to the Attorney General of the Commonwealth of Kentucky ("Attorney General").

On January 13, 2004, after review of Lake Village's test-year operations, Staff issued a report recommending that the Commission approve rates that would generate annual revenue of \$891,797, an increase of \$155,513 or 21.12 percent over normalized revenues from rates as determined by Staff of \$736,284.

The Staff Report included a cost-of-service study where Staff's recommended rates were calculated based on Lake Village's pro forma operations as determined by Staff. The rates in Staff's cost-of-service study would increase the monthly cost of 5,000 gallons from 35.52 to \$40.78, an increase of 14.81 percent.

All parties were granted 10 days to comment on the Staff Report or to request a hearing or informal conference. On January 14, 2004, the Attorney General filed a statement that he had no comments and would not require a conference or hearing. No response to the Staff Report was received from Lake Village.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

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. The rates in Appendix A of this Order are fair, just, and reasonable for water sales by Lake Village and will produce annual operating revenue from water sales of \$891,797.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Lake Village in its application are hereby denied.

2. The rates set out in Appendix A of this Order are approved for services rendered by Lake Village on and after the date of this Order.

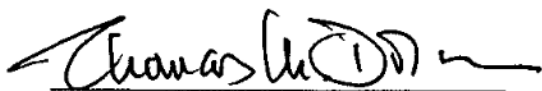
3. Within 30 days of the date of this Order, Lake Village shall file with the Commission its revised tariff setting out the rates approved herein.

4. Three years from the date of this Order, Lake Village shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Done at Frankfort, Kentucky, this 2nd day of February, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas H. (T) [unclear]", written over a horizontal line.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2003-00401 DATED FEBRUARY 2, 2004

The following rates and charges are prescribed for the customers in the area served by Lake Village Water Association, Inc. 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 Water Rates

First	2,000 gallons	\$19.39	Minimum bill
Next	18,000 gallons	7.13	per 1,000 gallons
Over	20,000 gallons	5.41	per 1,000 gallons
Northpoint Training Center		\$1.85	per 1,000 gallons