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Commonwealth of Kentucky
Public Service Commission
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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

June 11, 2010

Mr. Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: Henry County Water District No. 2
Case No. 2009-00370

Dear Mr. Derouen:

Enclosed for filing is the Stipulation entered between Commission Staff and Henry County Water District No. 2. Please note that Henry County Water District No. 2 prematurely filed a version of this document on June 10, 2010. That version contained only the signature of counsel for Henry County Water District No. 2. The enclosed document contains all required signatures.

Any questions regarding this letter should be directed to me at (502) 564-3940, Extension 259.

Sincerely,

A handwritten signature in black ink, appearing to read "Gerald E. Wuetcher".

Gerald E. Wuetcher
Executive Advisor/Attorney

cc: Parties of Record

RECEIVED

JUN 11 2010

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HENRY COUNTY WATER)
DISTRICT NO. 2 FOR APPROVAL TO ADJUST)
WATER RATES AND CHARGES AND TO) CASE NO. 2009-00370
IMPLEMENT A SYSTEM DEVELOPMENT)
CHARGE)

STIPULATION

Pursuant to 807 KAR 5:001, Section 4(6), Henry County Water District No. 2 ("Henry District") and Commission Staff stipulate:

1. The appropriate test period for determining any adjustment to Henry District's existing rates for water service is the calendar year ending December 31, 2008.

2. Henry District's revenue from water sales for the calendar year ending December 31, 2008 is \$2,879,514.

3. Henry District's Total Operating Expenses for calendar year ending December 31, 2008, as adjusted, is \$2,625,966.

4. Henry District's Adjusted Total Operating Expenses reflect actual test period expense with the following adjustments:

a. Henry District's proposed removal of \$50,000 from Materials and Supplies Expense to reflect that expenses incurred for filter repairs at its water treatment plant were of a non-recurring nature.

b. The removal of \$31,402 from Contractual Services - Accounting to reflect the reclassification of expenses incurred for hydraulic analyses conducted for water main extension as a capital asset.

c. The reduction of \$161,672 in depreciation expense recorded for Accounts No. 304.2, No. 309.2, No. 331.4, and No. 334.4 to reflect the application of longer service lives for water mains and water meter installations.

5. When calculating Henry District's revenue requirements, a five-year average of Henry District's debt principal and interest payments and a debt service coverage ratio of 1.2 should be used.

6. Henry District's average annual debt and principal payment for the five-year period from 2010-2014 is \$819,110.

7. Based upon adjusted test period operations, Henry District has a total revenue requirement of \$3,608,899.

8. During the calendar year ending December 31, 2008, Henry District had Other Operating Revenues of \$121,540 and Interest Income of \$111,787.

9. Based upon its total revenue from water sales, Other Operating Revenues, and Interest Income during the test period, Henry District requires total revenues from water sales of \$3,375,572, or an increase in water sales revenue of \$496,058, to meet its total revenue requirement of \$3,608,899.

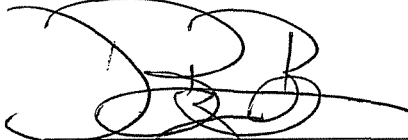
10. The rates set forth in Attachment A to this Stipulation will produce revenues from water sales of \$3,375,572.

11. The National Association of Regulatory Utility Commissioners has reported that the average service lives in use by small water utilities for water mains is 50 to 75 years and for water meter installations is between 40 and 50 years.

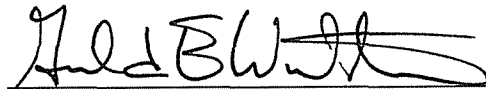
12. In determining the appropriate level of depreciation expense for water mains and water meter installations, the expense for those items should be based upon a service life that is within those ranges.

13. For water mains and water meter installations installed after a final decision in Case No. 2009-00370, Henry District will use a service life of 60 years and 40 years respectively.

HENRY COUNTY WATER DISTRICT NO. 2 COMMISSION STAFF



D. Barry Baxter
117 West Main Street
La Grange, Kentucky 40031

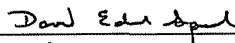


Gerald E. Wuetcher
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602-0615

Counsel for Henry County Water District
No. 2

Counsel for Commission Staff

HAVE SEEN:



David E. Spenard
Office of Rate Intervention
1024 Capital Center Drive
Suite 200
Frankfort, Kentucky 40601-8204

Counsel for Office of Attorney General

ATTACHMENT A
STIPULATED RATES

First 1,500 gallons	\$18.76 monthly charge
Next 3,500 gallons	6.74 per 1,000 gallons
Next 5,000 gallons	6.15 per 1,000 gallons
Next 10,000	4.98 per 1,000 gallons
Next 30,000	3.81 per 1,000 gallons
Over 50,000	2.58 per 1,000 gallons
Wholesale	2.58 per 1,000 gallons