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CASE NO. 2008-00460
Roger M. Oliver
rmo@oliverlawoffices.com

October 27, 2008

RECEIVED
OCT 29 2008
PUBLIC SERVICE
COMMISSION

Ms. Stephanie L. Stumbo, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

In RE: Purchased Water Adjustment for Southern Madison Water District

Dear Ms. Stumbo:

I am the attorney for Southern Madison Water District. The Berea Municipal Utilities, from whom we purchase our water, has recently raised the wholesale water rate they charge Southern Madison Water District. Our Board passed a resolution adopting new rates to be effective September 8, 2008.

I enclose the following:

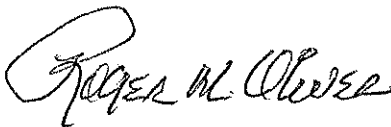
1. A copy of the Notice of Increase received by the District from Berea Municipal Utilities as well as a copy of the letter to you informing of the proposed wholesale rate change;
2. A Purchased Water Adjustment Application in which we calculated the purchased water adjustment factor;
3. Proof of publication of the Public Notice which was published in the Richmond Register, the only daily newspaper of general circulation in our service area. This was published on October 24th, 2008, and our first bills at the increased rates will be rendered on October 29, 2008.

Ms. Stephanie L. Stumbo, Executive Director
October 27, 2008
Page Two

4. A copy of the Resolution passed by our Board adopting the new rates and setting forth the effective date of increase;
5. A revised tariff sheet reflecting the new monthly rates.

We would appreciate your consideration of an order approving the new rates. Should you need further information regarding the rate increase request, please contact me at your convenience.

Cordially yours,

A handwritten signature in cursive script that reads "Roger M. Oliver".

Roger M. Oliver

RMO:lpr
Enclosures

BEREA MUNICIPAL UTILITIES

P.O. BOX 926
BEREA, KENTUCKY 40403
(859) 986-4391
FAX (859) 986-5884

July 9, 2008

Mr. Tommy Bussell:
Southern Madison Water District
P.O. Box 222
Berea, KY 40403

RE: City of Berea Wholesale Water Rate Increase Notice.

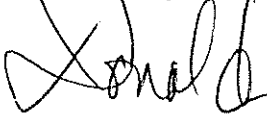
Dear Mr. Bussell:

We have completed the rate study and passed the necessary ordinance to change the rates for which we charge Southern Madison Water District (SMWD). In February 2008, your Consultant, Mike Bethurem, was asked to review the proposed rates. After a conference call meeting on March 10 with the Prime Group, Mr. Bethurem offered some comments and possible changes which we subsequently made to the rate structure.

Ordinance No. 07-08 provides that the new charge to SMWD will be \$0.0021720 per gallon, or \$2.172 per 1,000 gallons. We will continue to add a KRA fee as we have in the past. This is the first water rate increase since 1990.

Please contact me if there are any questions or concerns.

Thanks for your attention,



Donald D. Blackburn
Utilities Manager

Enclosures

C: Kentucky Public Service Commission

NOTICE

City of Berea Municipal Utilities (“BMU”) has filed a proposed rate schedule which will increase the rate for water service provided as follows:

| | <u>Current Rate</u> | <u>Proposed Rate</u> | <u>% Difference</u> |
|---------------------------------|---------------------------|----------------------------|---------------------|
| Garrard County Water Assoc. | \$1.95 per 100 cubic feet | \$0.0162490 per cubic foot | 11.27% |
| Southern Madison Water District | \$1.95 per 100 cubic feet | \$0.0021720 per gallon | 11.25% |

The proposed effective date is July 1, 2008.

The rates contained in this notice are the rates proposed by BMU. However, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Any corporation, association, or person with a substantial interest in the matter may, by written request, within thirty (30) days after publication or mailing of this notice of the purposed rate changes request to intervene. Intervention may be granted beyond the thirty (30) day period for good cause shown.

Any person who has been granted intervention by the Public Service Commission may obtain copies of the rate application and any other filings made by BMU by contacting the Manager, Donald Blackburn, at the offices of BMU, 200 Harrison Road, Berea, KY 40403; telephone 859-986-4391.

Any person may examine the rate application and other filings made by BMU by visiting the offices of BMU at 200 Harrison Road in Berea, or by contacting the Public Service Commission at 211 Sower Boulevard in Frankfort, Kentucky; telephone 502-564-3940.

Memorandum

To: Randy Stone
City Administrator
From: Mike Bethurem
Consultant
Date: February 28, 2008

Subject: Proposed water rate increase.

Southern Madison Water District requested that I assist them in evaluating the rate increase proposal that the City of Berea has made. It would be helpful if you could assist me by providing response to the following questions and requests for additional information pertaining to the rate proposal.

- 1) Was the rate proposal based on a cost of service study? If so, please provide a copy of the study. Other wise, please provide supporting work papers on how revenue requirements were allocated to the various classes of service.
- 2) Please provide supporting documents for the calculation of the pro-forma expenses and depreciation, along with a brief explanation of each adjustment.
- 3) Provide an explanation for the pro-forma extensions and replacements and how they support your efforts to provide service to SMWD.
- 4) Was there a particular reason why Class 7 Fire Protection (Sprinkler) rates were not increased?
- 5) Berea is proposing to shift the revenue requirements for Class 8 Public and Private Fire Protection (Hydrant) to the other classes of service, eliminating Class 8. Please provide work papers on which classes of service this revenue requirement was allocated to and on what basis.
- 6) Based on the information on the Summary of Rate of Return the residential class of service only contributed 2% toward the return on rate base last year. Why is Berea not considering a more pronounced move to raise the residential class of service's contribution toward the desired rate of return, in comparison to the other classes of service?
- 7) As part of our discussion about the proposed rates, SMWD would like to discuss some changes to the existing water purchase agreement. Is Berea open to considering some proposed changes to the contract?



CITY OF BEREA

MAYORS OFFICE

STEVEN CONNELLY
MAYOR

July 10, 2008

212 CHESTNUT STREET • BEREA, KENTUCKY 40403
(859) 986-8528 • FAX (859) 986-7657
T.D.D.# 1-800-648-6057

Ms. Stephanie L. Stumbo, Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

RE: City of Berea Wholesale Water Rates

Dear Ms. Stumbo:

The City of Berea (City) recently received a rate study performed by The Prime Group. The study demonstrated a need to raise all classes of water customers, including the wholesale water rates for Garrard County Water Association (GCWA) and Southern Madison Water District (SMWD).

The calculations determined the need to charge the wholesale rates as follows:

| | <u>Current Rate</u> | <u>New Rate</u> |
|------|--------------------------|----------------------------|
| GCWA | \$1.95 per 1,000 gallons | \$0.0162490 per cubic foot |
| SMWD | \$1.95 per 1,000 gallons | \$0.0021720 per gallon |

The different units used are to better align with the metering currently in place. Both values are equivalent and amount to \$2.172 per 1,000 gallons, an 11.25% increase and the first increase since 1990.

Although the formal notification has just been sent to the wholesale customers, both were made aware of this action earlier this year. We understand that we can not act on the rate increase until GCWA and SMWD have had sufficient opportunity to review the PSC filing.

Should you need further information regarding the wholesale water rate increase request, please contact me at 859-986-8528 or Donald Blackburn at 859-986-4391.

Sincerely,



Steven Connelly, Mayor

RECEIVED

OCT 29 2008

**PUBLIC SERVICE
COMMISSION**

**PURCHASED WATER ADJUSTMENT FOR
WATER DISTRICTS AND ASSOCIATIONS
(807 KAR 5:068)**

| | | |
|------------------|---------------------------------|-------|
| Name of Utility | Southern Madison Water District | |
| Date | October 8, 2008 | |
| Address | 207 N. Dogwood Dr/P. O. Box 220 | |
| City, State, Zip | Berea, KY | 40403 |
| Telephone Number | 859-986-9031 | |

1.a. Name of all wholesale suppliers and the base (current) rate and changed rate of each. In the event the water purchased is billed by the supplier on a rate that is not a flat rate schedule, the entire rate schedule must be shown. Attach additional sheets if necessary.


| Supplier(s) | Base Rate | Changed Rate |
|-----------------------|-----------------|------------------|
| Berea Municipal Util. | \$.00195/gallon | \$.002172/gallon |
| | | |
| | | |

1.b. A copy of the supplier's notice of the changed rate showing the effective date of the increase is attached as Exhibit

2. Twelve-month period upon which the purchased water adjustment is based. (This twelve-month period must end within 90 days of this filing).

| | | | |
|------|------------------|---------|------------------|
| From | August 2007 | through | July 2008 |
| | (month and year) | | (month and year) |

3. Statement of water purchases. Where water is purchased from more than one supplier, purchases from each supplier must be shown separately. If water is purchased through a declining block rate schedule, purchases for each month must be shown. Attach an additional sheet if necessary.

| Supplier(s) | Gallons Purchased during 12 month period |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| Berea Municipal Utilities | 312,350,670 |
| | |
| | |
| TOTAL PURCHASES | 312,350,670 |
| | |
| 4. Total sales for the 12 month period | 282,164,000 |
| | |
| 5. Increased water cost | \$69,341.85 |
| The increased water cost is the cost difference between purchases at base (current rate) and purchases at new rate. | |
| | |
| 6. Purchased water adjustment factor | \$0.25 |
| The purchased water adjustment factor is obtained by dividing the increased cost of water by the total gallons sold. | |
| <p>Note: The purchased water adjustment factor is added to each thousand gallons sold. If the minimum usage is 2,000 gallons then the purchased water adjustment factor would be added to the minimum bill twice. Revised tariff sheets must be attached showing the rate to be charged by the utility and the effective date of the increased rates.</p> | |
| | |
| 7. Proposed effective date | September 8, 2008 |
| | |
|  | |
| Signature of Utility Officer | |
| | |
| Manager | Title |

11/3 bdrm, 1.5 bath
 use, 310' Wallaée Ct.
 850 mo. 893-5489.

Area: 2bdm house,
 den, 1bath.
 500 mo, \$500 dep.
 502-693-6934.

m, 1 ba, \$700 month
 0 deposit. W/D hook-
 up. Patio, Madison
 lage. 859-523-9107.

rm, 2 ba, ranch w/leat-
 chen, den w/fireplace,
 1r garage. \$795 mo +
 dep.

109 Robbins Dr.
 859-653-6027.

rdm, 2 ba, 2 car ga-
 r. House in Indian Hills.
 1000 sq. ft. Nice neigh-
 borhood. \$800
 call 589-358-7233.

e For Rent in Berea,
 rm, 2-1/2 ba, central
 Very nice neighbor-
 hood. 2 car garage, clos-
 ea Collage, \$1,000
 59-358-7233.

kit 95, Cherry Trace,
 1bd, 4 bdrm, 2.5 ba.
 1200 mo + utilities.
 859-402-0997.

Moberly Ave Remod-
 ed, 2Br, \$500mo + Dep.
 11/1 859-623-1866
 5pm only. No Pets

rm, 1-1/2 bath fenced.
 '00 mo plus utilities,
 large deposit \$500. No
 ts. Lease. 623-8045.

rdm, 2 ba, \$625 mo.
 1 pet. Appl., Yard &
 garage furnished.
 CALL 661-1551

2 Bdrm, 1 bath, In-
 n, \$495 mo, garbage
 id water furnished.
 Call 661-1551

rdm, 2ba, on Mene-
 s Rd, between Rich-
 nd & Berea \$650 mo.
 0 dep. 859-621-8719.

ba Sale/Lease w/option to
 buy on Private Dr. City
 sewer, Hillcrest 200-2600

House for Sale. \$145,000.
 1411 Lexington Road,
 Richmond, KY.
 859-885-2348.

Delightful, remodeled,
 3bdrm, 2ba, 2 story
 w/basement. Land
 contract. \$79,995.
 859-623-0165.

For Sale by Owner.com
 LIST#21559395. OPEN
 HOUSE 10-26-08 and 11-
 02-08. \$368,000. 859-358-
 4140.

314 Brooks Road
 (Madison Village). Brick, 3
 bdrm/1 ba, new appl., cen-
 tral air. \$92,500.
 By Owner, 623-1915.

MUST SELL !! BRING ALL
 OFFERS!! 3 bdrm, 1 1/2 ba,
 \$34,900 247 North 2nd St
 Richmond, Ky. Contact:
 Dustin (225- 278- 8756, or
 dustin@hslc.net. Zopec

Hampton Ridge 224
 Hedgewood Lane, great
 home, built 2004. 1309
 sq.ft. 3bdrm, 2 full baths,
 extra large cul-de-sac lot.
 Privacy fence, nice view, 4
 sale by owner \$139,900.
 859-625-5696.

If your phone is not
 ringing maybe it's
 because your aren't
 ADVERTISING!
 Call 624-6681
 or 623-1669. *FF*
 Ask for MAYME or Kathy.

For more
 info on running
 an ad
 624-6681

5 ACRES
FOR SALE
BY OWNER
 5 acres &
 house.
 2492 sq. ft.,
 3-4 bedrooms,
 2 baths. Brick/
 vinyl split foyer
 with garage,
 carport, pond.
 Old US 25
\$170,000
925-3805

510 Lots and
 Acreage

NICE building lot on city
 sewer excellent location,
 In Hillcrest subd. Call 200-
 2600, or 623-8780.

520 Mobile
 Homes
 For Rent

Changing with Time
 Stone Creek Community
 Newly Restructured, 1, 2,
 & 3 Bdrm Mobile Homes. All
 Utilities paid 625-6757

600 Autos
 and Auto
 Parts

2001 Cadillac DeVille, low
 mileage. New tires. Mint
 Condition. Call
 859-985-2474.

67 MUSTANG GT
 390 FASTBACK \$5700
 (pictures:
 walex4@gmail.com),
 green/green manual,
 (605)610-4705 or e-mail/
 zopec

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 help you Sell your
 Vehicles, with our new
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 Call **Mayme** or **Kathy**
 at 624-6681.

630 Recreational
 Vehicles

2007 Yamaha 660 Grizzly
 4x4 auto, factory camo kit,
 has less than 30 miles on
 it. 4x6 Trailer with ramp.
 \$6250 firm. 859-986-8574
 after 6pm.

640 Trucks
 and Truck
 Parts

For Sale 1973 3/4 Ton
 Chevy PU & 1992 Chevy
 S-10 PU \$600 each or
 bco. Call 859-582-4305

Executive
 Applicants must have a strong background in all Microsoft Office
 products and experience in a network computer environment. This
 position also requires strong communication, writing, and interpersonal
 skills. Must be a team player and willing to work in a team oriented
 environment.
MINIMUM REQUIREMENTS
 College degree or at least five years' experience in a related field. Some
 travel is required. Additional information and job applications may be
 obtained at the Madison County Emergency Operations Center, 560
 South Keeneland Drive, Richmond, Kentucky, 40475, from 8am-4:30pm.
DEADLINE
 Applications and/or resumes with salary history must be turned in by
 4:00 pm Tuesday, October 28, 2008 at the Madison County Emergency
 Operations Center, 560 South Keeneland Drive, Richmond, Kentucky,
 40475 or e-mailed to mbryant@madison-county-ema.com. Madison
 County CSEPP is an Equal Opportunity Employer.

**NOTICE TO ALL CUSTOMERS OF
 SOUTHERN MADISON WATER DISTRICT**

Due to a rate increase from Berea Municipal Utilities, notice is
 hereby given that Southern Madison Water District will file an
 application for a Purchased Water Adjustment with the Kentucky
 Public Service Commission for the purpose of adjusting its water
 rates as reflected below. Customer rates will increase by \$0.25 per
 1,000 gallons of water used. The proposed change will be effective
 for service rendered on and after September 08, 2008.

Monthly Water Rates

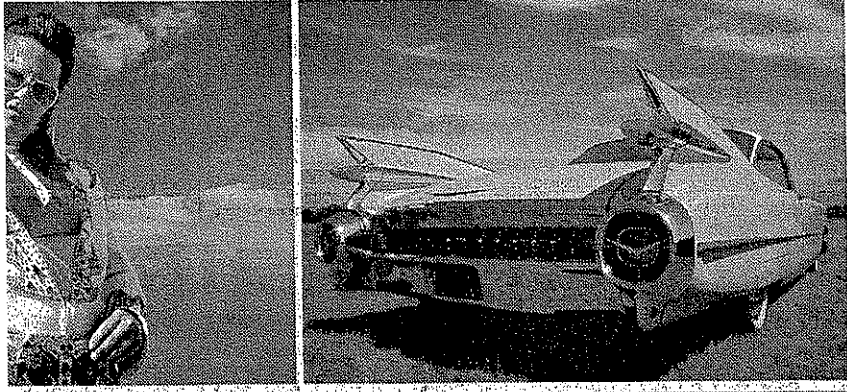
| GALLONAGE BLOCK | RATES |
|---------------------|-------------------------|
| First 2,000 gallons | \$11.926 Minimum Bill |
| Next 1,000 gallons | 5.873 per 1,000 gallons |
| Next 3,000 gallons | 5.463 per 1,000 gallons |
| Next 4,000 gallons | 5.003 per 1,000 gallons |
| Next 15,000 gallons | 4.123 per 1,000 gallons |
| Next 25,000 gallons | 3.823 per 1,000 gallons |
| Next 50,000 gallons | 3.273 per 1,000 gallons |

Separate Line Item for the
 Kentucky River Authority Withdrawal Fee: 0.0253 per 1,000 gallons

Note: Average residential customer bill (3,700 gallons) will increase
 from \$20.70 to \$21.94 or 5.9%.

The rates contained in this notice are the rates proposed by
 Southern Madison Water District. However, the Public Service
 Commission may order rates to be changed that differ from these
 proposed rates. Such action may result in rates for consumers
 other than the rates in this notice.

Southern Madison Water District has available for inspection at its
 office the application submitted to the Public Service Commission.
 The office is located at 297 N. Dogwood Drive, Berea, Kentucky.
 (859) 986-0942. The information is also available at the offices of
 the Kentucky Public Services Commission, 211 Sower Boulevard,
 Frankfort, Kentucky; (502) 564-3940.



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RESOLUTION

WITNESSETH, That Whereas, the Berea Municipal Utilities has raised the wholesale water rates that they charge Southern Madison Water District from \$1.95 per 1,000 gallons to \$2.1720 per 1,000 gallons effective August 10, 2008, and,

That Whereas, the Board has never passed through the Kentucky River Authority Withdrawal Fee that Berea College and the Berea Municipal Utilities have been charging Southern Madison Water District, and,

That Whereas, the Board wishes to pass through to its customers both the increased cost of water as well as the Withdrawal Fee,

NOW THEREFORE, be it **Resolved** that the Souther Madison Water District hereby adopts the new water rates reflected on the Purchased Water Adjustment Application and new Section I Tariff Rates Sheet attached hereto.

It is further **Resolved** that the new rates are to be affective September 8, 2008, the date on which the new wholesale water rate increase became effective for water purchased by the Southern Madison Water District from Berea Municipal Utilities.

Passed at its regularly scheduled meeting on: October 21, 2008

151 Jerry Combs
Chairman

151 Larry Todd
Attest: Treasurer

FOR: SOUTHERN MADISON COUNTY, Berea, Ky.

P.S.C. KY. NO. _____

SOUTHERN MADISON WATER DISTRICT

Fourth Revised SHEET NO. 2

CANCELLING P.S.C. KY. NO. 94-150

Third Revised SHEET NO. 2

SECTION I: RATES AND CHARGES

APPLICABLE:
AVAILABILITY OF SERVICE

Southern Madison County and Berea, Kentucky
Domestic and Commercial

A. Monthly Rates for Water

GALLONAGE BLOCK

RATES

First 2,000 gallons

\$11.926 Minimum Bill

Next 1,000 gallons

5.873 per 1,000 gallons

Next 3,000 gallons

5.463 per 1,000 gallons

Next 4,000 gallons

5.003 per 1,000 gallons

Next 15,000 gallons

4.123 per 1,000 gallons

Next 25,000 gallons

3.823 per 1,000 gallons

Over 50,000 gallons

3.273 per 1,000 gallons

Separate Line Item for the
Kentucky River Authority Withdrawal Fee:

0.0253 per 1,000 gallons

- B. Where multiple service is rendered through one water meter, the minimum charge shall be multiplied by the number of apartments, residents, stores, offices, and/or establishments receiving water from such meter. Each multiple service user shall be entitled to 2,000 gallons for a minimum charge. All excess over the minimum shall be billed at the appropriate rate.

DATE OF ISSUE October 21, 2008

DATE EFFECTIVE September 8, 2008

ISSUED BY Jerry Combs

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____