

Powell's Valley Water District – Sewer Division

31 Adams Ridge Road, Clay City, Kentucky 40312

606 - 663 - 5870

November 29, 2008

RECEIVED

DEC 08 2008

PUBLIC SERVICE
COMMISSION

Stephanie Stumbo
Executive Director
KY Public Service Commission
PO Box 615
Frankfort, KY 40602

2008-00506

RE: Application for an Adjustment in Rates Pursuant to
the Alternative Rate Filing Procedure for Small Utilities

This is an application to request Commission approval for an increase in Powell's Valley Water District – Sewer Division's rate pursuant to the Alternative Rate Filing Procedure for Small Utilities. Attached is the completed "ARF Application."

The District has mailed written notice of the proposed rate change and the estimated amount of increase per customer class to each customer. A copy of the customer notification letter and affidavit from the District's Chairman verifying that the notice has been mailed to each customer is enclosed.

A copy of this application and related filings has been sent to the Office of the Attorney General, State Capitol Building, Suite 118, Frankfort, KY 40601.

Sincerely,



Ronald S. Everman, Chairman
Powell's Valley Water District – Sewer Division

Enclosure

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

RECEIVED

DEC 08 2008

PUBLIC SERVICE
COMMISSION

Powell's Valley Water District – Sewer Division

Name of Utility

P.O. Box 550; 31 Adams Ridge Road

Clay City, KY 40312

Business Mailing Address

Telephone Number **606 / 663 – 5870**

Area Code

Number

I. Basic Information

NAME, TITLE, ADDRESS and Telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: **Ronald S. Everman, Chairman**

Address: **P.O. Box 550; 31 Adams Ridge Road**

Clay City, KY 40312

Telephone Number: **606 – 663 – 5870**

- | | | | |
|----|---|-------------------------------------|----|
| 1) | Do you have 500 customers or fewer? | <input checked="" type="checkbox"/> | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? | <input checked="" type="checkbox"/> | No |
| 3) | Has the Utility filed an annual report with this Commission for the past year and the two previous years? | <input checked="" type="checkbox"/> | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | <input checked="" type="checkbox"/> | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for the 12 months ending December 31, 2007.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

	2007 Operations	Pro Forma Adjustments	Adj. Ref	Pro Forma Operations
Operating Revenues:				
Measured Revenues	\$ 41,026	\$ 0		\$ 41,026
Other Operating Revenues	9,218	0		9,218
Total Operating Revenues	\$ 50,244	\$ 0		\$ 50,244
Operating Expenses:				
Operation & Maintenance:				
Meter Reading & Flat Rate Inspections	\$ 7,400	\$ 0		\$ 7,400
Office Supplies & Other Expenses	20,327	0		20,327
Miscellaneous General	876	0		876
Total Operation & Maintenance	\$ 28,603	\$ 0		\$ 28,603
Depreciation	8,326	10,090		18,416
Amortization	0	0		0
Taxes Other Than Income	51	0		51
Utility Operating Expenses	\$ 36,980	\$ 10,090		\$ 47,070
Net Utility Operating Income	\$ 13,264	\$ (10,090)		\$ 3,174

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Due to the need for immediate rate relief to pay its debt payments, Powell's Valley requested Commission Staff assistance to file this rate application. To expedite the process, the only pro forma adjustment that Powell's Valley is proposing is to reflect depreciation on utility plant in service that was placed into service at the end of calendar year 2007. The calculation of depreciation is shown below:

	<u>Plant Balance</u>	<u>Depreciation Lives</u>	<u>Depreciation Expense</u>
Utility Plant In Service - 12/31/07	\$ 416,285	÷ 50 Years =	\$ 8,326
Add: Utility Plant Placed In Service in 2007	<u>504,475</u>	÷ 50 Years =	<u>10,090</u>
Utility Plant In Service - 12/31/08	<u>\$ 920,760</u>		<u>\$ 18,416</u>

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class: **The below rates are applicable to all of Powell's Valley sewer customers.**

<u>Customer Class</u>	<u>Existing</u>	<u>Proposed</u>	<u>Proposed Increase</u>	
	<u>Rates</u>	<u>Rates</u>	<u>Amount</u>	<u>%</u>
First 2,000 Gallons (Min. Bill)	\$ 15.50	\$ 25.12	\$ 9.62	62.065%
All Over 2,000 Gallons	\$ 7.75	\$ 12.56	\$ 4.81	62.065%
Flat Rate Customers	\$ 15.50	\$ 25.12	\$ 9.62	62.065%

III. Other Information

a. Please complete the following questions:

- 1) Please describe any events or occurrences, which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

Without immediate rate relief, Powell's Valley will have difficulty in paying its bond payments that are due in January 2009.

2) Total number of Customers as of the date of filing: Residential 61; Commercial 34

3) Total amount of increased revenue requested: \$ 25,460 Exhibit A

4) Please circle Yes or No:

- a) Does the utility have any outstanding indebtedness? Yes No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

- b) Were all revenues and expenses listed in the Annual Report for **2007** incurred and collected from January 1 to December 31 of that year? Yes No

If no, list total revenues and total expenses incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

- 5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 2007 and the amount shown on this schedule.

A copy of the 2007 depreciation schedule is shown in the pro forma adjustments.

- 6) If utility is a sewer utility:
- a) Attach a copy of the latest State and Federal Income Tax Returns.
N/A – Water Districts are not required to file income tax returns.
 - b) How much of the utility plant was recovered through the sale of lots or other contributions 0% \$ or %? (If unknown, state the reason).

- b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Without immediate rate relief, Powell's Valley will have difficulty in paying its bond payments that are due in January 2009.

Step3: Next 10,000 gallons rate level
 1,830 Bills
 16,268,700 gallons used
 $1^{\text{st}} 2,000 \text{ minimum} \times 1,830 \text{ bills} = 3,660,000 \text{ gallons} - \text{record in Column 4.}$
 $\text{Next } 3,000 \text{ gallons} \times 1,830 \text{ bills} = 5,490,000 \text{ gallons} - \text{record in Column 5.}$
 $\text{Next } 10,000 \text{ gallons} - \text{remainder of water over } 3,000 = 7,118,700 \text{ gallons} - \text{record in Column 6.}$

Step4: Next 25,000 gallons rate level
 650 Bills
 15,275,000 gallons used
 $1^{\text{st}} 2,000 \text{ minimum} \times 650 \text{ bills} = 1,300,000 \text{ gallons} - \text{record in Column 4.}$
 $\text{Next } 3,000 \text{ gallons} \times 650 \text{ bills} = 1,950,000 \text{ gallons} - \text{record in Column 5.}$
 $\text{Next } 10,000 \text{ gallons} \times 650 \text{ bills} = 6,500,000 \text{ gallons} - \text{record in Column 6.}$
 $\text{Next } 25,000 \text{ gallons} - \text{remainder of water over } 10,000 = 5,525,000 \text{ gallons} - \text{record in Column 7.}$

Step5: Over 40,000 gallons rate level
 153 Bills
 9,975,600 gallons used
 $1^{\text{st}} 2,000 \text{ minimum} \times 153 \text{ bills} = 306,000 \text{ gallons} - \text{record in Column 4.}$
 $\text{Next } 3,000 \text{ gallons} \times 153 \text{ bills} = 459,000 \text{ gallons} - \text{record in Column 5.}$
 $\text{Next } 10,000 \text{ gallons} \times 153 \text{ bills} = 1,530,000 \text{ gallons} - \text{record in Column 6.}$
 $\text{Next } 25,000 \text{ gallons} \times 153 \text{ bills} = 3,825,000 \text{ gallons} - \text{record in Column 7.}$
 $\text{Over } 40,000 \text{ gallons} - \text{remainder of water over } 25,000 = 3,855,600 \text{ gallons} - \text{record in Column 8.}$

Step6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue

SAMPLE

Revenue from Present/Proposed Rates
 Test Period from 01-01-XX to 12-31-XX

USAGE TABLE
Usage by Rate Increment

Class: Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
First 2,000 Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
Totals	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46,895,700

REVENUE TABLE
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
Totals	4,800	46,895,700		\$ 92,094.10 Total Revenue

Instructions for Completing Revenue Table:

- (1) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (2) Complete Column No. 4 using rates either present or proposed.
- (3) Column No. 5 is completed by first multiplying the bills times the minimum charge.
- (4) Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602

Telephone: 502 / 564 – 3940

c. One Copy of the completed application should also be sent at the same time to:

Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502 / 564 – 3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed 
Officer of the Company

Title **President** *Chairman*

Date 11-29-08

EXHIBIT A
 Determination of Revenue
 Requirement

	Revenue Requirement
Debt Service Coverage - Existing Bonds	\$ 23,862
Multiplied by: Required Coverage	0.2
Debt Service Coverage - Existing Bonds	\$ 4,772
Debt Service - Existing Bonds	23,862
Add: Pro Forma Operating Expenses	28,603
Depreciation	18,416
Taxes Other Than Income	51
Total Revenue Requirement	\$ 75,704
Less: Other Income & Deductions	0
Revenue Requirement from Operations	\$ 75,704
Less: Other Operating Revenues	9,218
Revenue Requirement - Sewer Service	\$ 66,486
Less: Pro Forma Revenue - Sewer Service	41,026
Requested Increase Revenue - Sewer Service	\$ 25,460
 Percentage Increase	 62.058%

NOTICE

Notice is hereby given that the Powell's Valley Water District - Sewer Division seeks approval by the Public Service Commission, Frankfort, Kentucky, for an adjustment of sewer rates in the total amount of \$25,460 on an annual basis. The percentage of increase will approximate 62.058 percent to the Powell's Valley Water District - Sewer Division.

The estimated amount of increase per customer class/meter size is:

<u>Meter Size</u>	<u>Dollar Increase</u>	<u>Percentage Increase</u>
All Customer Classes	\$ 25,460	100.00%

The comparison of the present and proposed rates of the Powell's Valley Water District - Sewer Division is as follows:

<u>Customer Class</u>	<u>Existing Rates</u>	<u>Proposed Rates</u>	<u>Proposed Increase</u>	
			<u>Amount</u>	<u>%</u>
First 2,000 Gallons (Min. Bill)	\$ 15.50	\$ 25.12	\$ 9.62	62.065%
All Over 2,000 Gallons	\$ 7.75	\$ 12.56	\$ 4.81	62.065%
Flat Rate Customers	\$ 15.50	\$ 25.12	\$ 9.62	62.065%

IMPACT ON AVERAGE CUSTOMER BILL

<u>All Meter Sizes:</u>	<u>Existing</u>	<u>Proposed</u>	<u>Percentage Increase</u>
5,000Gallons Avg. Usage	\$ 38.75	\$ 62.80	62.065%
Flat Rate Customers	\$ 15.50	\$ 25.12	62.065%

The rates contained in this notice are the rates proposed by the Powell's Valley Water District - Sewer Division; however, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice.

Notice is further given that any corporation, association, or person with a substantial interest in the matter may, by written request within thirty (30) days after the publication of this notice, request to intervene in the matter before the Public Service Commission. Intervention may be granted beyond the thirty (30) day period for good cause shown. The request should be submitted to the Public Service Commission at its address shown below. Any person who has been granted intervention by the Commission may obtain copies, free of charge, of the application and testimony by contacting Powell's Valley Water District - Sewer Division at the address below. Any person may examine the rate application and any other filings made by Powell's Valley Water District - Sewer Division at its offices or at the Public Service Commission at the addresses below.

Powell's Valley Water District - Sewer Division
31 Adams Ridge Road
Clay City, Kentucky 40312
Telephone: 606-663-5870

Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601
Telephone: 502-564-3940

Powell's Valley Water District Sewer Division
P.O. Box 550
31 Adams Ridge Road
Clay City, Kentucky 40312
606 663-5870

Stephen Everman, Chairman
Dave Plessinger, Secretary/Treasurer
Babe Howard, Commissioner

AFFIDAVIT

The Powell's Valley Water District Sewer Division hereby certifies that the District is in compliance with the Public Service Commission's requirement to notify all sewer customers by mail of the proposed rate increase.

Date this 1 day of December, 2008.
Steph Ever

Subscribed and sworn to before me this 1 day of December 2008
My commission expires February 27, 2010
Dawn Cheris Barnes
Notary Public, Kentucky.