

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BRACKEN COUNTY WATER)
DISTRICT FOR AN ADJUSTMENT OF WATER) CASE NO. 2010-00184
RATES)

ORDER

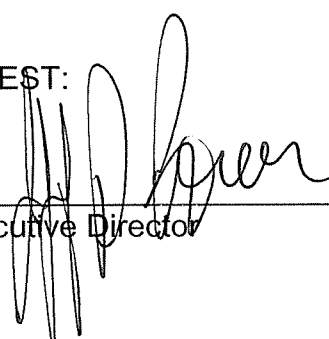
On June 7, 2010, Bracken County Water District ("Bracken") submitted its application for Commission approval of proposed water service rates. Commission Staff, having performed a limited financial review of Bracken's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding Bracken's application. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

By the Commission

ENTERED
JUL 28 2010 *M*
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2010-00184

STAFF REPORT
ON
BRACKEN COUNTY WATER DISTRICT
CASE NO. 2010-00184

Pursuant to a request by Bracken County Water District (“Bracken”) for Commission Staff (“Staff”) assistance with the preparation of an application for an adjustment of water service rates, Staff performed a limited financial review of Bracken’s test-year operations, the calendar year ended December 31, 2009. The scope of Staff’s review was limited to obtaining information as to whether the test-year operating revenues and expenses were representative of normal operations. Known and measurable adjustments were made to test-year operations as allowed by 807 KAR 5:001, Section 10 (7). Insignificant or immaterial discrepancies were not pursued and are not addressed herein. Upon completion of the review, Staff assisted Bracken in the development and preparation of an application. On June 7, 2010, Bracken filed the Application.

As stated in the application, Bracken’s revenue requirement from monthly water service rates is \$1,485,201, requiring a \$327,572, or 28.3 percent, increase over present rate revenue of \$1,157,629.¹ Bracken’s Application includes a cost-of-service study wherein Bracken’s revenue requirement was allocated to Bracken’s customer classes and a new rate design was developed.² The new rate design was requested in Bracken’s Application and will increase the monthly bill of a customer using 5,000

¹ Application, Attachment B.

² Application, Attachment C.

gallons through a 5/8" x 3/4" meter connection from \$41.57 to \$53.81, a \$12.24 increase.

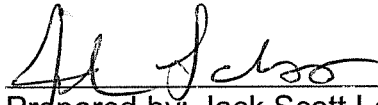
During its review of Bracken's Application, Staff discovered a typographical error that should be noted. Bracken's proposed tariff and comparison of its current and proposed tariff are included in the Application at Attachment E and Attachment F, respectively. The minimum bill shown on these attachments includes only 1,000 gallons of usage. The minimum bill should have included 2,000 gallons.

After reviewing Bracken's financial information and Application, Staff finds that:

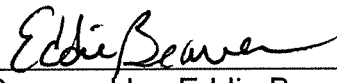
1. Bracken's proposed adjusted operating statement, as presented in its Application, is reflective of normal operations and should be used to determine Bracken's revenue requirement;
2. The cost-of-service study used to develop Bracken's proposed rates is appropriate;
3. The monthly water service rates proposed by Bracken, as calculated in the cost-of-service study and attached hereto, will produce Bracken's revenue requirements;
4. When submitting its revised tariff within 30 days of the forthcoming final Order in this case, as will be required by that Order, Bracken should correct the error in the minimum bill usage allowance found in its proposed tariff as included in its Application; and
5. The Commission should approve all the requests included in Bracken's application.

Eddie Beavers is responsible for all revenue adjustments and calculation of the proposed water service rates. Scott Lawless is responsible for the determination of the revenue requirement.

Signatures



Prepared by: Jack Scott Lawless, CPA
Manager, Financial Audit Branch
Division of Financial Analysis



Prepared by: Eddie Beavers
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT
STAFF REPORT CASE NO. 2010-00184
STAFF'S RECOMMENDED WATER SERVICE RATES

Monthly Water Rates

5/8" x 3/4" Meter

First	2,000	gallons	\$25.19 minimum bill
Next	38,000	gallons	9.54 per 1,000 gallons
Over	40,000	gallons	7.51 per 1,000 gallons

Wholesale Rate

3.44 per 1,000 gallons

Bulk Loading Station

\$8.50 per 1,000 gallons

Diana Moran
Office Manager
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