

Purchase Public Service Corporation
P.O. Box 5100
Mayfield, Kentucky 42066
270/247-7171

June 8, 2010

Mr. David Armstrong, Chairman
Kentucky Public Service Commission
211 Sower Blvd
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED

JUN 10 2010

PUBLIC SERVICE
COMMISSION

2010 - 00231

Dear Mr. Armstrong:

Enclosed please find the Purchase Public Service Corporation's proposed rate application for the Cardinal Group. Cardinal Group customers were notified of this potential increase on June 2, 2010 however rates will not be changed until Kentucky Public Service Commission approval has been obtained. The Corporation's articles are on file based on previous rate applications.

Please feel free to contact me at 270/251-6126 or mark.davis@purchaseadd.org if you have questions or need additional information.

Sincerely,



Mark Davis
Executive Officer

cc: Public Service Litigation Branch
Office of the Attorney General
P.O. Box 2000
Frankfort, Kentucky 40602-2000

2010-00231

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

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

RECEIVED

JUN 10 2010

PUBLIC SERVICE
COMMISSION

Purchase Public Service Corp. d/b/a Cardinal Group

Name of Utility

1002 Medical Dr. P.O. Box 5100

Mayfield, KY 42066

Business Mailing Address

Telephone Number 270 / 247-7171

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: Mark Davis, Executive Director

Address: P. O. Box 5100

Mayfield, KY 42066

Telephone Number: 270-247-7171

- | | | | |
|----|-----------------------------------------------------------------------------------------------------------|-----------------------------------------|----|
| 1) | Do you have 500 customers or fewer? | <input checked="" type="checkbox"/> Yes | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? | <input checked="" type="checkbox"/> Yes | 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"/> Yes | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | <input checked="" type="checkbox"/> Yes | 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, 2008.

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.

	2008 AR	Adjustments		Adjusted Balance
Revenues-Residential	\$ 34,483	\$ 2,372	a	\$ 36,855
Forfeited Discount	<u>533</u>	<u>.</u>		<u>533</u>
Total Operating Revenues	\$ 35,016	\$ 2,372		\$ 37,388
 Operating Expenses:				
Sludge Hauling	14,200	(7,298)	b	6,902
Water Costs	743			743
Material & expense	711			711
Fuel For Pumping & Treatment	5,499			5,499
Supplies & Expense	2,936			2,936
Routine Maint. Service Fee	17,743			17,743
Uncollectible Accounts	797			797
Office Supplies & Expenses	542			542
Outside Services Employed	1,127			1,127
Insurance Expenses	1,469			1,469
Regulatory Expenses	<u>56</u>	<u>.</u>		<u>56</u>
Total Sewer O&M Expense	\$ 45,823	\$ (7,298)		\$ 38,525
Depreciation Expense	<u>2,585</u>	<u>2,767</u>	c	<u>5,352</u>
Total Operating Expense	\$ 48,408	\$ (4,531)		\$ 43,877
 Net Income	 \$ (13,392)	 \$ 6,903		 \$ (6,489)

- 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).

Refer to Exhibit A for descriptions and the supporting calculations for each proposed pro forma adjustment.

- 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:

Existing Monthly Rate	Proposed Monthly Rate	Proposed Increase	
		Amount	%
\$ 29.25	\$ 39.57	\$ 10.32	<u>35.23%</u>

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).

2) Total number of Customers as of the date of filing: Residential 105

3) Total amount of increased revenue requested: \$49,860

4) Please circle Yes or No:

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

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

c) Were all revenues and expenses listed in the Annual Report for 2008 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 2008 and the amount shown on this schedule.

See Appendix A, Adjustment c.

6) If utility is a sewer utility:

- a) Attach a copy of the latest State and Federal Income Tax Returns. Not
- b) How much of the utility plant was recovered through the sale of lots or other contributions _____ \$ or %? (If unknown, state the reason).

Not Applicable

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

The operating expenses have increased since the last rate case. For Purchase Public Service to be able to provide adequate service to its ratepayers, the requested increase in rates is required.

IV. Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using declining block rate design. This billing analysis is not intended for companies using a flat rate design. **N/A – Sewer customers are charged a flat rate.**

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns numbered 2 and 3 are completed by using information obtained from usage records.

Columns numbered 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1st 2,000 gallons minimum bill rate level
 432 Bills
 518,400 gallons used
 All bills use 2,000 gallons or less, therefore, all usage
 is recorded in Column 4.

Step2: Next 3,000 gallons rate level
 1,735 Bills
 4,858,000 gallons used
 1st 2,000 minimum x 1,735 bills = 3,470,000 gallons –
 record in Column 4.

- Next 3,000 gallons – remainder of water over 2,000 =
1,388,000 gallons – record in Column 5.
- Step3: Next 10,000 gallons rate level
1,830 Bills
16,268,700 gallons used
1st 2,000 minimum x 1,830 bills = 3,660,000 gallons –
record in Column 4.
Next 3,000 gallons x 1,830 bills = 5,490,000 gallons –
record in Column 5.
Next 10,000 gallons – remainder of water over 3,000
= 7,118,700 gallons – record in Column 6.
- Step4: Next 25,000 gallons rate level
650 Bills
15,275,000 gallons used
1st 2,000 minimum x 650 bills = 1,300,000 gallons –
record in Column 4.
Next 3,000 gallons x 650 bills = 1,950,000 gallons –
record in Column 5.
Next 10,000 gallons x 650 bills = 6,500,000 gallons –
record in Column 6.
Next 25,000 gallons – remainder of water over 10,000
= 5,525,000 gallons – record in Column 7.
- Step5: Over 40,000 gallons rate level
153 Bills
9,975,600 gallons used
1st 2,000 minimum x 153 bills = 306,000 gallons –
record in Column 4.
Next 3,000 gallons x 153 bills = 459,000 gallons –
record in Column 5.
Next 10,000 gallons x 153 bills = 1,530,000 gallons –
record in Column 6.
Next 25,000 gallons x 153 bills = 3,825,000 gallons –
record in Column 7.
Over 40,000 gallons – remainder of water over 25,000
= 3,855,600 gallons – record in Column 8.
- Step 6: 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

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:

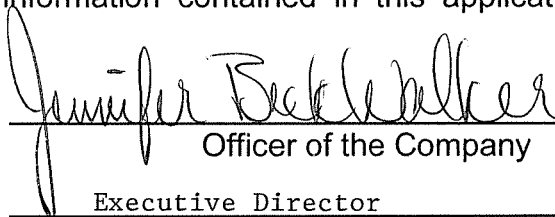
Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

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

Executive Director

Date

6/8/10

Appendix A
Pro Forma Adjustments

a. Normalized Operating Revenues - Residential:

Revenue normalization using end-of-period customer level and the current tariffed rate.

Current Tariffed Rate	\$ 29.25
Multiplied by: Residential End-of-Period	105
Monthly Revenue	<u>\$ 3,071</u>
Multiplied by: 12-Months	12
Normalized Annual Revenues from Rates	\$ 36,855
Less: Reported Residential Operating Revenues	<u>34,483</u>
Pro Forma Adjustment	<u><u>\$ 2,372</u></u>

b. Sludge Hauling Expense:

In the test-period, Purchase Public Service Experienced damage to its Holifield Heights treatment plant that necessitated that the sludge be hauled away on a weekly basis resulting in an increased cost. After repairs the expense returned to normal. In 2009, sludge hauling was \$6,902. This results in a decrease in expense of \$7,298.

c. Depreciation Expense

Purchase Public Service replaced the Holifield Height lagoon during the test period at a cost of \$77,222. The depreciation expense for one year is \$3,089 (77,222/25 years). \$322 of the \$3,089 expense has already been recorded by Purchase Public Service during the test period. Therefore, the pro forma adjustment to this expense is an increase of \$2,767.

Exhibit B
Revenue Requirement

Adjusted Operating Expenses	\$ 43,877
Divided by .88 Operating Ratio	÷ .88
	<hr/>
Revenue Requirement	\$ 49,860
Less Normalized Revenue	\$ 36,855
	<hr/>
Increase Required	<u>\$ 13,005</u>

Purchase Public Service Corporation
P.O. Box 5100
Mayfield, Kentucky 42066
270/247-7171

June 2, 2010

The Purchase Public Service Corporation has filed an application with the Kentucky Public Service Commission to increase the rate for the Blandville West Estates, Golden Acres Subdivision and Holifield Heights wastewater treatment facilities. The proposed effective date of the change is September 2010.

	<u>Current Monthly Rate</u>	<u>Proposed Monthly Rate</u>
Single family residential	\$ 29.25	\$ 39.57 (35.23% increase)

The rates contained in this notice are the rates proposed by the Purchase Public Service Corporation. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for customers other than the rates included in this notice.

"Any corporation, association, body politic or person may request leave to intervene by motion within 30 days after notice of the proposed rate changes is given. The motion shall be submitted to the Public Service Commission, 211 Sower Boulevard, P. O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. Intervenors may obtain copies of the application and testimony by contacting Mark Davis at 270/247-7171. A copy of the application and testimony shall be available for public inspection at the utility's offices."