

**GRAVES COUNTY WATER DISTRICT
P O BOX 329
MAYFIELD, KY 42066
(270) 247-4661**

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COMMISSION

July 3, 2012

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

Graves County Water District's application filed in Case No. 2012-00278 is in violation of 807 KAR 5:076 Section 8 which states that "the reasonableness of the proposed rates shall be determined using a twelve (12) month historical test period, adjusted for known and measureable changes, that coincides with the reporting period of the applicant's annual report for the immediate past year." Graves' immediate annual report on file with the Commission is for the calendar year ended December 31, 2011. The test year used in its application is the year ended December 31, 2010.

As allowed by 807 KAR 5:076, Section 15, Graves County Water District requests to deviate from the requirements of 807 KAR 5:076 Section 8 and consider its requested rate adjustment based on the test year ending December 31, 2010. In support of its request, Graves states that it began work on the preparation of the application with assistance from Commission Staff using its 2010 annual report well before the 2011 annual report was complete. The application took an extended period of time to prepare. Graves requested assistance from Staff by letter dated August 16, 2011. The completed application was delivered to the Commission for consideration on June 28, 2012. During this time, the 2011 annual report was completed and filed with the Commission as required.

At the time the 2011 annual report had been filed, work on the Application using the 2010 report had been completed for all practical purposes. It is vital to Graves' financial condition that the application be processed as expeditiously as possible. It has virtually exhausted its reserve funds to pay for a mapping project made necessary by the installation of an underground fiber optic network throughout its service territory. It would have unnecessarily prolonged the preparation of the application to have switched the test year from 2010 to 2011 immediately following the filing of the 2011 annual report. This delay would have extended the effective date of the rates requested and may have caused Graves financial harm.

If the Commission cannot grant the deviation requested herein, Graves respectfully requests that the Commission consider its application filed pursuant to the provisions of 807 KAR 5:001, Section 10. This regulation allows a test year to be any 12 consecutive month period. Any relief afforded by the Commission in this matter is greatly appreciated.

Sincerely,



Johnny Dowdy, Chairman