

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE FILING OF EASTERN ) CASE NO. 2014-00385  
ROCKCASTLE WATER ASSOCIATION, INC. )

ORDER

On April 3, 2015, Intervenor, Gary Mason, filed a motion<sup>1</sup> for a hearing in Eastern Rockcastle Water Association's ("Eastern Rockcastle") application for a water service rate increase and an increase in the meter read fee. Mr. Mason is the only intervenor in this case. Eastern Rockcastle originally filed a separate application to increase the meter read fee through the Commission's Tariff Filing System.<sup>2</sup> The Commission investigated and considered the application to increase the meter read fee as part of the alternative rate filing application to increase water service rates.<sup>3</sup>

Eastern Rockcastle waived its rights to a hearing and accepted the recommendations set forth in Commission Staff's February 25, 2015 Staff Report ("Staff Report").<sup>4</sup> The Staff Report provided evidence of the revenues and operating expenses in support of a Commission Staff-recommended revenue increase of \$51,288, or 18.72 percent, and meter read fee increase of \$35. In its application, Eastern Rockcastle

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<sup>1</sup> The pleading is styled as a "Brief of Intervenor," but will be treated as a motion.

<sup>2</sup> Copies of documents from TFS 2014-577 were filed in this case on Nov. 25, 2014.

<sup>3</sup> See Nov. 25, 2014 Order regarding Eastern Rockcastle's application to increase the meter read fee.

<sup>4</sup> Letter from Tony Bullock, Board President, Eastern Rockcastle, to Jeff Derouen, Executive Director, Public Service Commission (Mar. 11, 2015).

requested a revenue increase of \$77,402, or 28.25 percent. Eastern Rockcastle provided a cost-justification sheet for the requested meter read fee increase from \$5 to \$35.

As a basis for his motion, Mr. Mason states that Eastern Rockcastle's water-service rate increase should be limited to 10 percent and the meter read fee should be increased only to \$25. In support of his assertion that Eastern Rockcastle's water service rate should be limited to 10 percent, Mr. Mason questions the amount of water loss that should be considered in determining the revenue requirement and states that Eastern Rockcastle should eliminate the health insurance premiums it pays for its two employees. To support his proposal to limit the meter read fee increase to \$25, Mr. Mason encourages Eastern Rockcastle to use QuickBooks accounting software to generate reports, which he asserts would lower expenses by saving on labor and supply costs. Mr. Mason also questions whether this matter is properly before the Commission, due to an alleged insufficiency of notice. Mr. Mason asserts that notice publication was insufficient because the meter read fee was omitted from at least one notice and, when it was included, the percentage increase was listed as 700 percent, rather than 600 percent, the correct increase.

The Commission will conduct a hearing when a request for hearing has been made unless a hearing is not required by statute, or is found by the Commission to be unnecessary for protection of substantial rights or not in the public interest.<sup>5</sup> A hearing is not statutorily required for an alternative rate filing or an application to increase a meter read fee. Thus, in evaluating Mr. Mason's motion for a hearing, the Commission

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<sup>5</sup> 807 KAR 5:001, Section 9(1).

must determine whether a hearing is necessary for the protection of substantial rights or is in the public interest.

Mr. Mason has been an active participant in this case. On February 12, 2015, prior to the issuance of the Staff Report, Mr. Mason filed a response as well as a supplemental response to the proposed meter read fee and water rate increases. On March 10, 2015, Mr. Mason filed his response to the Staff Report. Mr. Mason participated in an informal conference conducted on March 19, 2015. Although Mr. Mason did not make any discovery requests pursuant to the Commission's procedures for discovery set forth in 807 KAR 5:076,<sup>6</sup> Section 10, he did make seven Open Records Act requests to Eastern Rockcastle between December 17, 2014, and March 24, 2015.

Despite his active participation and ample opportunity, Mr. Mason failed to provide factual support for the recommendations upon which he bases his request for a hearing. Mr. Mason asserts that water-loss figures should be reflected in the Staff Report. Mr. Mason fails to acknowledge that Staff not only addressed water loss in its Report, but that Staff calculated a higher water-loss figure than Mr. Mason calculated. Further, Staff removed purchased-water and purchased-power costs that were above the regulatory limit for water loss set forth in 807 KAR 5:066, Section 6(3).

To support his assertion that Eastern Rockcastle's water service rate increase should be limited to 10 percent, Mr. Mason disputes the accuracy of Carolyn Hinton's<sup>7</sup>

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<sup>6</sup> 807 KAR 5:076 is the regulation for alternative rate filing applications.

<sup>7</sup> Ms. Hinton is the Secretary/Treasurer for Eastern Rockcastle.

statement during an informal conference<sup>8</sup> that providing health insurance to Eastern Rockcastle's two employees was less expensive than giving a \$1 or \$2 per hour raise to each employee. Ms. Hinton did make this argument for provision of health insurance for the utility's two employees. Prior to Ms. Hinton's making that statement during the informal conference, however, Commission Staff had informed Mr. Mason that the Commission allows a utility to include in its rates the cost of providing health insurance for the utility's employees.<sup>9</sup> Mr. Mason has provided no evidence of the Commission's previously having prevented a utility from including in rates for service the cost for providing health insurance to the utility's non-management employees.

Mr. Mason states that Eastern Rockcastle could reduce the proposed meter read fee increase from \$35 to \$25 by using QuickBooks accounting software. Mr. Mason failed to provide further information to support his conclusion that using QuickBooks accounting software would reduce the cost of labor and supplies, and thus reduce the meter reading fee by \$10.

The only evidence that Mr. Mason provided in support of his recommendations regards the impact of what he terms the "free water" that Eastern Rockcastle is receiving as a result of its suppliers' master meters' underreporting of the water flow. The Staff Report addressed the water-loss issue, but did not specifically address the discrepancy with the suppliers' master meters on water loss. This information is now in the record and can be addressed in the Final Order. A hearing is not necessary to present this evidence. Further, if the Staff Report had addressed the discrepancy with

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<sup>8</sup> Mr. Mason's motion incorrectly identifies the March 19, 2015 informal conference as a hearing.

<sup>9</sup> Memorandum from Ann Ramser, Staff Attorney, to Case File No. 2014-00385 (Mar. 23, 2015) at unnumbered page 2.

the monthly reports, the rates recommended in the Staff Report would not change. Because Eastern Rockcastle already has a water loss greater than 15 percent, the costs for any additional water purchases, and costs incurred for purchased power as a result of the additional water purchases, would be disallowed for ratemaking purposes pursuant to 807 KAR 5:066, Section 6(3).

Finally, Mr. Mason bases his request for a hearing on the allegedly insufficient notice. He indicates that the notice for the meter read fee contains the incorrect percentage increase and that the proposed meter read fee was not published for three consecutive weeks. He does not dispute that each publication of the notice for the meter read fee contained the correct present rate of \$5 and the correct proposed rate of \$35.

Eastern Rockcastle filed an Affidavit of Publication dated October 30, 2014, indicating that Mount Vernon Signal published a notice of the proposed meter read fee increase on October 16, 23, and 30, 2014.<sup>10</sup> These notices contained the correct current and proposed meter read fee rates, but did not fully comply with regulations.<sup>11</sup> Eastern Rockcastle then published a combined notice containing the proposed meter read fee increase and the proposed water service rate increase. On December 15, 2014, Eastern Rockcastle filed an Affidavit of Publication dated December 11, 2014, indicating that Mount Vernon Signal published a notice containing the proposed meter read fee increase and proposed water service rate increase on November 6, 13, 20, and 27, 2014. These notices contained the correct current and proposed meter read fees. Based on the information in the record, Eastern Rockcastle's ratepayers have

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<sup>10</sup> See documents from TFS 2014-377 filed in this case on Nov. 25, 2014.

<sup>11</sup> 807 KAR 5:011, Section 8.

received two sets of three weekly notices that Eastern Rockcastle proposes to increase the meter read fee from \$5 to \$35.

Requiring publication of three consecutive weekly notices containing the correct percentage meter read fee increase will not change the proposed dollar figure for the meter read fee. Furthermore, requiring a publication of the current and proposed rates for the water service rates at this time could be confusing to customers, as Eastern Rockcastle is now willing to accept the lower rates proposed in the Staff Report. Any issue with the notice that exists can be resolved by requiring the utility to publish one time the rates set forth in the Final Order, with the publication to occur within 14 days after the Final Order is issued.

Having considered Mr. Mason's motion and the evidence in the record, the Commission finds that:

1. Holding a hearing is not necessary to protect the substantial rights of Mr. Mason or any of Eastern Rockcastle's ratepayers in the case pending before the Commission. Mr. Mason does not dispute any figure or statement in the Staff Report. Furthermore, Mr. Mason has not cited to, or presented, any financial information to support his recommendation that the water service rates be limited to a 10 percent increase and the meter read fee be limited to \$25.

2. Holding a hearing in this case is not in the public interest. Eastern Rockcastle has already incurred some rate case expense, but has not yet requested recovery of rate case expense in this case. If a hearing is held, Eastern Rockcastle will require legal representation, and Eastern Rockcastle could request recovery for the rate

case expense in this case. Including rate case expense will increase the rates currently recommended by Staff. Furthermore, Mr. Mason has not cited to, or presented, any financial information to support his recommendation that the water service rates be limited to a 10 percent increase and the meter read fee be limited to \$25.

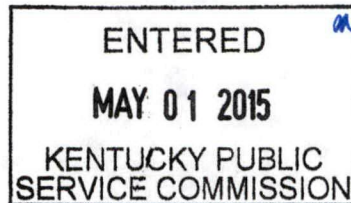
3. Eastern Rockcastle's ratepayers have received sufficient notice that the utility proposes to increase the meter read fee from \$5 to \$35.

4. Mr. Mason's motion for a hearing should be denied.


IT IS THEREFORE ORDERED that:

1. Mr. Mason's motion for a hearing is denied.
2. This case is now submitted for a decision based upon the existing record.

By the Commission



ATTEST:

  
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