

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE CONTRACT)	
FILING OF SOUTH ANDERSON WATER)	CASE NO.
DISTRICT TO PROVIDE WHOLESALE WATER)	2015-00019
SERVICE TO NORTH MERCER WATER)	
DISTRICT)	

ORDER

On January 13, 2015, South Anderson Water District (“South Anderson”) filed with the Commission a written contract for South Anderson’s provision of wholesale water service to the North Mercer Water District (“North Mercer”).¹ The contract provides, among other things, the rates charged by South Anderson and a clause stating, in pertinent part, that South Anderson “may increase the rates and charges for service ... by an amount equal to the most recent annual increase in the Producer Price Index (formerly Wholesale Price Index), provided such increase shall not exceed a maximum of 2% (two percent) in any one year, if the mandated fund coverages ... in South Anderson’s Bond Ordinance have been met.”

¹ In Case No. 2011-00420, *Application of South Anderson Water District (1) for a Certificate of Public Convenience and Necessity Authorizing Construction of Major Improvements and Additions to its Existing Water Distribution System, (2) Seeking Approval of Revised Water Service Rates and Charges, and (3) Seeking Approval of the Issuance of Certain Securities*, (Ky. PSC Nov. 21, 2011), the Commission granted South Anderson a Certificate of Public Convenience and Necessity for facilities that would, among other things, enable South Anderson to provide wholesale water service to North Mercer. In that proceeding, the Commission found that South Anderson did not have a rate schedule on file with the Commission that provided for the provision of wholesale water service or that specified a rate for such service. The Commission’s final Order in Case No. 2011-00420 requires that “[b]efore providing wholesale water service to North Mercer Water District, South Anderson District shall file with the Commission a written contract or rate schedule that specifies the provisions under which the service is being provided.” (Ky. PSC Nov. 21, 2011), p. 5.

Having considered the contract and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.260(1), an investigation is necessary to determine the reasonableness of the contract. The Commission recognizes that South Anderson and North Mercer have agreed to the contract, but the principal focus of our investigation is on the proposed option through which South Anderson may increase rates based upon an index.

The Commission further finds that North Mercer, as a party to the proposed contract, has a significant interest in this proceeding and its presence in this proceeding will likely lead to presentation of issues or development of facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding and should therefore be made a party to this proceeding.

IT IS THEREFORE ORDERED that:

1. Pursuant to KRS 278.260(1), an investigation is necessary to determine the reasonableness of the contract.
2. North Mercer is granted full intervention status in this proceeding.
3. South Anderson shall file with the Commission, no later than 14 days from the date of this Order, the responses to the requests for information listed in the Appendix to this Order.
4. a. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and ten copies to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

f. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(1), encrypt or redact the paper so that personal information cannot be read.

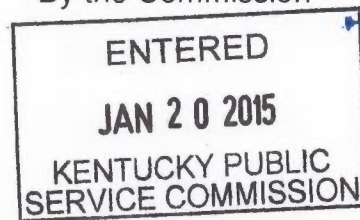
5. At any hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

6. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

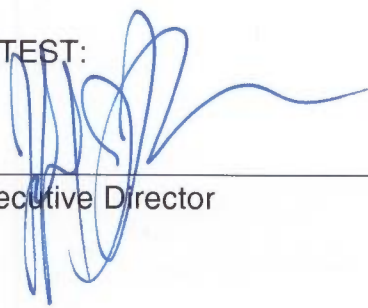
7. All documents that this Order requires to be filed with the Commission shall be served upon all other parties.

8. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00194 DATED **JAN 20 2015**

1. On what date did South Anderson complete construction of its connection to North Mercer for the purpose of selling water to North Mercer?
2. On what date did South Anderson begin selling water to North Mercer?
3. Provide a schedule showing, for each month since South Anderson began selling water to North Mercer, the monthly quantity of water sold to North Mercer and the corresponding amount billed for the water sold.
4. Identify the location of each interconnection between the South Anderson and North Mercer systems. For each interconnection, state the number and size of meters through which service is provided.
5. Refer to part-2(C) of the September 19, 2012, Agreement (“2012 Agreement”) between South Anderson and North Mercer at page 3 of 7, which states that “South Anderson, while Municipal Water Bonds remain outstanding and unpaid, may increase the rates and charges for services of the South Anderson annually by an amount equal to the most recent annual increase in the Producer Price Index (formerly Wholesale Price Index), provided such increase shall not exceed a maximum of 2% (two percent) in any one year, if the mandated fund coverages set forth above in South Anderson’s Bond Ordinances have been met.”
 - a. State the current rate that South Anderson applies to North Mercer’s water purchases from South Anderson.

b. State whether South Anderson has sought to increase the rates stated in parts-(1)(C)(a) & (b) of the 2012 Agreement. If so, for each increase, state the date and amount of the increase.

c. State whether South Anderson has provided North Mercer with notice of an intent to increase the rates pursuant to part-(2)(C) of the 2012 Agreement. If so, for each notice, provide a copy of the notice.

d. State the current rate that South Anderson uses for service to North Mercer.

6. Explain why South Anderson chose to rely upon the Producer Price Index as a measure in determining the amount of a possible annual rate increase.

7. Provide the Producer Price Index information for the period of September 1, 2012, to date, and state the amounts that South Anderson identified and used as the "most recent annual increase" since September 1, 2012, for purposes of part-(2)(C) of the 2012 Agreement.

8. State whether there have been any amendments to the 2012 Agreement. If so, provide a copy of each amendment.

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