

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE ) CASE NO. 2014-00392  
WATER SERVICE RATES OF CITY OF DANVILLE )

ORDER

On November 14, 2014, the Commission issued an Order suspending the city of Danville's ("Danville") proposed adjustments to its existing rates for wholesale water service to Garrard County Water Association, Inc., Lake Village Water Association Inc., and Parksville Water District. The November 14, 2014 Order contained a procedural schedule and a Request for Information to Danville. On December 1, 2014, Danville provided responses to the Request for Information.

In response to Item 21 of the Request for Information, Danville provided the cost-of-service study in an electronic format; however, the formulas and links were not intact, as requested.<sup>1</sup>

Furthermore, Danville's proposed adjustments appear to be based on a hybrid of a historical test period and a forecasted test period. In response to Item 1 of the Request for Information, Danville provided the direct testimony of Connie Allen, who prepared the cost-of-service study for Danville. In response to a question regarding the revenue requirement, Ms. Allen explained that she determined the operation and

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<sup>1</sup> Response to Request for Information, Item 21 (filed Dec. 1, 2014).

maintenance section by starting “with FY13 (test year) year-end actual numbers and FY14 budget numbers.”<sup>2</sup> She then “projected numbers for FY15 through FY19.”<sup>3</sup>

In response to Item 30 of the Request for Information, Danville provided a spreadsheet titled “Pro Forma Adjustments to Operation and Maintenance Costs” that Ms. Allen referenced to explain pro forma adjustments to Danville’s water operations.<sup>4</sup> Although Ms. Allen stated in her direct testimony that she used actual numbers for fiscal year 2013, the column for fiscal year 2013 is titled “FY13 to date **from budget.**”<sup>5</sup>

The numbers in the spreadsheet titled Pro Forma Adjustments to Operation and Maintenance Costs cannot be traced to the cost-of-service study. Additionally, Danville’s fiscal year 2013 financial statement<sup>6</sup> lists total revenues and operation expenses for the water division, but does not provide a further breakdown that identifies what these amounts comprise. The breakdown is necessary to verify expenses used in the cost-of-service study.

The requirements for a general adjustment of rates are set forth in 807 KAR 5:001, Section 16. Pursuant to that regulation, Danville can support its request by utilizing either a 12-month historical test period with known and measurable changes under 807 KAR 5:001, Section 16(1)(a)(1), or a fully forecasted test period under 807 KAR 5:001, Section 16(1)(a)(2). Since it is unclear from the existing record whether the rate adjustment is supported by a historical test period or a fully forecasted test period,

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<sup>2</sup> *Id.* Item 1, page 3 of Ms. Allen’s direct testimony.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* Item 30.

<sup>5</sup> *Id.* (Emphasis added.)

<sup>6</sup> *Id.* Item 2, City of Danville, Financial Statements June 30, 2013, page 14.



Danville needs to identify with specificity the type of test period being used and provide the information required by 807 KAR 5:001, Section 16, for the test period it is using.

As Danville's filing for a proposed rate increase does not appear to utilize either a fully historical test period or a fully forecasted test period, the Commission, on its own motion, finds that:

1. The procedural schedule established in the November 14, 2014 Order should be suspended.

2. An informal conference should be scheduled to allow Commission Staff and all parties to discuss the filing for a rate adjustment and the information Danville has filed to date in support of its filing.

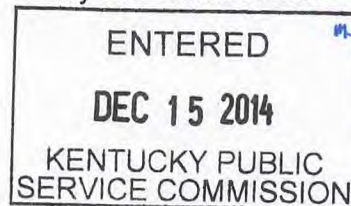
IT IS THEREFORE ORDERED that:

1. The procedural schedule established in the November 14, 2014 Order is suspended.

2. An informal conference with all parties shall be scheduled by Commission Staff.

3. All provisions of the November 14, 2014 Order that are not in conflict with the terms of this Order shall remain in full force and effect.

By the Commission



ATTEST:

  
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