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MEMORANDUM

TO: Gerald E. Wuetcher, Executive Advisor/Attorney
Public Service Commission

FROM: Donna Little
Regulations Compiler

RE: Acknowledgement of Proposed Administrative Regulations and/or Amendment –
807 KAR 5:009, 807 KAR 5:011, 807 KAR 5:067, 807 KAR 5:068, and 807 KAR
5:075

DATE: July 12, 2013

A copy of each administrative regulations listed above is enclosed for your files. These administrative regulations are tentatively scheduled for review by the Administrative Regulation Review Subcommittee at its **September 2013** meeting. We will notify you of the date and time of this meeting when it has been scheduled.

Pursuant to KRS 13A.280, **if** a public hearing is held or you receive written comments during the public comment period, the Statement of Consideration for these administrative regulations is due **by noon on September 13, 2013**. Please reference KRS 13A.270 and 13A.280 for other requirements relating to public hearings and the Statement of Consideration.

If you have any questions, please do not hesitate to contact me at (502) 564-8100.

Enclosures

1 ENERGY AND ENVIRONMENT CABINET

2 Public Service Commission

3 (Amendment)

4 807 KAR 5:067. Purchased water adjustment for investor-owned utilities.

5 RELATES TO: KRS Chapter 278

6 STATUTORY AUTHORITY: KRS 278.030(1), 278.040(3)

7 NECESSITY, FUNCTION, AND CONFORMITY: KRS 278.030(1) provides that all
8 rates charged by a [water] utility subject to the jurisdiction of the Public Service
9 Commission shall be fair, just and reasonable. This administrative regulation prescribes
10 the requirements under which a privately-owned water utility may implement a purchased
11 water adjustment [designed] to recover the cost [~~actual costs~~] of water purchased.

12 Section 1. Definitions.

13 (1) "Application" means:

14 (a) A completed Purchased Water Adjustment Form 2;

15 (b) A schedule listing current and proposed rates;

16 (c) A copy of the supplier's notice showing a change in supplier's base rate;

17 (d) The calculation and all supporting documents used to determine the change in

18 purchased water costs sufficient to determine the accuracy of the calculation; and

19 (e) If the utility is not a sole proprietorship or partnership, a copy of the resolution

20 or other document of the utility's governing body authorizing the proposed rates.

1 (2) “Changed rate” means the rate of a utility’s supplier after the most recent
2 increase or decrease in the supplier’s base rate.

3 (3) “Commission” is defined by KRS 278.010(15).

4 (4) “Person” is defined by KRS 278.010(2).

5 (5) “Supplier’s base rate” means the rate of a utility’s supplier in effect immediately
6 prior to the most recent increase or decrease.

7 (6) “Tariff” means the schedules of a utility’s rates, charges, regulations, rules,
8 tolls, terms, and conditions of service over which the commission has jurisdiction.

9 (7) “Unaccounted for water” means the volumetric sum of all water purchased and
10 produced by the utility less the volume of water:

11 (a) Sold;

12 (b) Provided to customers without charge as authorized by the utility’s tariff; and

13 (c) Used by the utility to conduct the daily operation and maintenance of its
14 treatment, transmission, and distribution systems.

15 (8) “Utility” means a privately-owned utility that meets the requirements of KRS
16 278.010(3)(d).

17 (9) “Web site” means an identifiable site on the Internet, including social media,
18 which is accessible to the public.

19 Section 2. Change in Supplier’s Base Rate. (1) Upon an increase in its supplier’s
20 base rate, a utility may increase each of its rate schedules by a purchased water
21 adjustment factor determined in accordance with Section 3 of this administrative
22 regulation to pass through its increased purchased water costs to its customers on a per
23 unit basis regardless of customer classification.

1 (2) Upon a decrease in the supplier's base rate, a utility that has previously revised
2 its rates pursuant to this administrative regulation shall decrease each of its rate
3 schedules by a purchased water adjustment factor determined in accordance with
4 Section 3 of this administrative regulation to pass through its decreased purchased water
5 costs on a per unit basis regardless of customer classification.

6 Section 3. Purchased Water Adjustment Factor. (1) If unaccounted for water does
7 not exceed fifteen (15) percent, the purchased water adjustment factor to adjust a utility's
8 rate to reflect a change in the utility's base rate shall be determined using the following
9 formula:

10

$$\text{PWA Adjustment Factor} = \frac{(\text{Changed Rate} \times \text{Total Utility Water Purchases}) - (\text{Base Rate} \times \text{Total Utility Water Purchases})}{\text{Total Utility Water Sales}}$$

11 (a) The purchased water adjustment factor shall be expressed in cents per gallons
12 or cubic foot depending upon the unit of measure that the utility basis its customer bills

13 (b) Total utility water purchases shall be determined based upon the level of
14 water purchases for a period of twelve (12) consecutive months ending within 90 days
15 immediately prior to the effective date of the utility rate adjustment month period.

16 (c) Total utility water sales shall be determined based upon the level of water
17 sales for a period of twelve (12) consecutive months ending within 90 days immediately
18 prior to the effective date of the utility rate adjustment month period. If the utility bases
19 its customer billings on a flat rate in lieu of a volumetric rate, the total number of
20 customers or residential equivalents billed for the period shall be used.

21 (2) If unaccounted for water exceeds fifteen (15) percent and no reasonable
22 percentage has been determined in the utility's last rate case, the purchased water

1 adjustment factor to adjust a utility's rate to reflect a change in the utility's base rate shall
2 be determined using the following formula:

3

$$\text{PWA Adjustment Factor} = \frac{(\text{Changed Rate} \times \text{Total Utility Water Purchases}) - (\text{Base Rate} \times \text{Total Utility Water Purchases})}{\text{Total Utility Water Sales} \div 85\%}$$

4 (a) The purchased water adjustment factor shall be expressed in cents per gallons
5 or cubic foot depending upon the unit of measure that the utility basis its customer bills

6 (b) Total utility water purchases shall be determined based upon the level of
7 water purchases for a period of twelve (12) consecutive months ending within 90 days
8 immediately prior to the effective date of the utility rate adjustment month period.

9 (c) Total utility water sales shall be determined based upon the level of water
10 sales for a period of twelve (12) consecutive months ending within 90 days immediately
11 prior to the effective date of the utility rate adjustment month period. If the utility bases
12 its customer billings on a flat rate in lieu of a volumetric rate, the total number of
13 customers or residential equivalents billed for the period shall be used.

14 (3) If unaccounted for water exceeds fifteen (15) percent and a reasonable
15 percentage has been determined in the utility's last rate case, the purchased water
16 adjustment factor to adjust a utility's rate to reflect a change in the utility's base rate shall
17 be determined using the following formula:

18

$$\text{PWA Adjustment Factor} = \frac{(\text{Changed Rate} \times \text{Total Utility Water Purchases}) - (\text{Base Rate} \times \text{Total Utility Water Purchases})}{\text{Total Utility Water Sales} \div (100\% - \text{Determined Reasonable Unaccounted for Water Percentage})}$$

19 (a) The purchased water adjustment factor shall be expressed in cents per gallons
20 or cubic foot depending upon the unit of measure that the utility basis its customer bills

1 (b) Total utility water purchases shall be determined based upon the level of
2 water purchases for a period of twelve (12) consecutive months ending within 90 days
3 immediately prior to the effective date of the utility rate adjustment month period.

4 (c) Total utility water sales shall be determined based upon the level of water
5 sales for a period of twelve (12) consecutive months ending within 90 days immediately
6 prior to the effective date of the utility rate adjustment month period. If the utility bases
7 its customer billings on a flat rate in lieu of a volumetric rate, the total number of
8 customers or residential equivalents billed for the period shall be used.

9 Section 4. Submitting the Purchased Water Adjustment. (1) A utility adjusting its
10 rates pursuant to this administrative regulation shall submit an application to the
11 commission.

12 (2) The application shall be submitted in accordance with 807 KAR 5:001, Section
13 7 and 8.

14 Section 5. Notice. When filing an application for a purchased water adjustment
15 resulting from a supplier's increased rate, a utility shall provide notice as follows:

16 (1) Public postings.

17 (a) A utility shall post at its place of business a copy of the notice no later than the
18 date the application is submitted to the commission.

19 (b) A utility that maintains a Web site shall, within five (5) business days of the date
20 the application is submitted to the commission, post on its Web sites:

21 1. A copy of the public notice; and

22 2. A hyperlink to the location on the commission's Web site where the case
23 documents are available.

1 (c) The information required in subsection 1(a) and 1(b) of this section shall not be
2 removed until the commission issues a final decision on the application.

3 (2) Customer Notice.

4 (a) If a utility has twenty (20) or fewer customers, it shall mail a written notice to
5 each customer no later than the date on which the application is submitted to the
6 commission.

7 (b) If a utility has more than twenty (20) customers, it shall provide notice by:

8 1. Including notice with customer bills mailed no later than the date the application
9 is submitted to the commission;

10 2. Mailing a written notice to each customer no later than the date the application is
11 submitted to the commission; or

12 3. Publishing notice once a week for three (3) consecutive weeks in a prominent
13 manner in a newspaper of general circulation in the utility's service area, the first
14 publication to be made no later than the date the application is submitted to the
15 commission.

16 (c) A utility that provides service in more than one (1) county may use a
17 combination of the notice methods listed in paragraph (b) of this subsection.

18 (3) Proof of Notice. A utility shall file with the commission no later than forty-five
19 (45) days from the date the application was initially submitted to the commission:

20 (a) If notice is mailed to its customers, an affidavit from an authorized
21 representative of the utility verifying the contents of the notice, that notice was mailed to
22 all customers, and the date of mailing; or

1 (b) If notice is published in a newspaper of general circulation in the utility's service
2 area, an affidavit from the publisher verifying the contents of the notice, that the notice
3 was published, and the dates of the notice's publication.

4 (4) Notice Content. Each notice issued in accordance with this section shall
5 contain:

6 (a) The proposed effective date and the date the proposed rates are expected to
7 be filed with the commission;

8 (b) The present rates and proposed rates for each customer classification to which
9 the proposed rates will apply;

10 (c) The amount of the change requested in both dollar amounts and percentage
11 change for each customer classification to which the proposed rates will apply;

12 (d) The amount of the average usage and the effect upon the average bill for each
13 customer classification to which the proposed rates will apply;

14 (e) A statement that a person may examine this application and any related
15 documents the utility has filed with the Public Service Commission at the offices of (utility
16 name) located at (utility address);

17 (f) A statement that a person may examine this application and any related
18 documents at the commission's offices located at 211 Sower Boulevard, Frankfort,
19 Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's
20 Web site at <http://psc.ky.gov>;

21 (g) A statement that comments regarding the application may be submitted to the
22 Public Service Commission through its Web site or by mail to: Public Service
23 Commission, Post Office Box 615, Frankfort, Kentucky 40602; and

1 (h) A statement that the rates contained in this notice are the rates proposed by
2 (utility name) but that the Public Service Commission may order rates to be charged that
3 differ from the proposed rates contained in this notice.

4 Section 6. Orders of the Commission. (1) A utility shall not implement its proposed
5 rates until the commission issues an order authorizing the water utility to adjust its rates.

6 (2) Within twenty (20) days of the date of the commission's order, the utility shall
7 submit its revised tariff sheet in accordance with 807 KAR 5:011 establishing the rates
8 approved by the commission.

9 Section 7. Refund from a Supplier. (1) A utility that receives a refund from its
10 supplier for previously paid for water service due to a reduction in the supplier's rate shall
11 notify the commission in writing of this refund within twenty (20) days of receipt of the
12 refund and shall distribute the refund to its customers by reducing each of its rate
13 schedules by a refund factor determined in accordance with subsection 2 of this section.

14 The notice to the commission shall include:

15 (a) A description of the circumstances surrounding the refund;

16 (b) A schedule showing the calculation of the refund factor;

17 (c) A copy of the supplier's notice of the refund; and

18 (d) All supporting documents used to determine the refund factor in detail sufficient
19 to determine the accuracy of the calculation.

20 (2) Refund factor. (a) The refund factor shall be determined using the following
21 formula:

22

$$\text{Refund Factor} = \frac{\text{Refund Amount}}{\text{Estimated Total Utility Water Sales}} \quad 23$$

1 (b) The refund factor shall be expressed in cents per gallons or cubic foot
2 depending upon the unit of measure that the utility bases its customer bills.

3 (c) Estimated total utility water sales shall be determined based upon the
4 estimated level of water sales for the two (2) month period beginning the first day of the
5 month following the utility's receipt of the refund. If the utility bases its customer billings
6 on a flat rate in lieu of a volumetric rate, the estimated total number of customers or
7 residential equivalents billed for the period shall be used.

8 (3) Effective with meter readings taken on and after the first day of the second
9 month following receipt of the refund, the utility shall reduce each of its rate schedules by
10 the refund factor when calculating customer bills for the next two (2) billing periods.

11 (4) If the commission determines that the utility has inaccurately calculated the
12 refund, the commission shall direct the utility to make revisions to the utility's refund plan.

13 Section 8. Deviations from Rules. In special cases, for good cause shown, the
14 commission shall permit deviations from this administrative regulation.

15 Section 9. Incorporation by Reference. (1) "Purchased Water Adjustment Form 2",
16 Purchased Water Adjustment for Privately-Owned Utilities, July 2013, is incorporated by
17 reference.

18 (2) This material may be inspected, copied, or obtained, subject to applicable
19 copyright law, at the commission's offices located at 211 Sower Boulevard, Frankfort,
20 Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's
21 Web site at <http://psc.ky.gov>.

22 ~~[Section 1. Water Utility Base Rate. The supplier's rate in effect immediately prior~~
23 ~~to the most recent increase shall be considered the base rate.~~

1 ~~Section 2. Application for Change in Base Rate. (1) For purposes of a purchased~~
2 ~~water adjustment, the supplier's rate as defined in Section 1 of this administrative~~
3 ~~regulation shall be considered as the base rate for purchased water and any increase or~~
4 ~~decrease in the base rate shall be considered the changed rate.~~

5 ~~(2) In the event there is an increase in the supplier's base rate, and the utility~~
6 ~~determines that it is necessary to adjust its rates so as to pass the increase on to its~~
7 ~~customers, the utility shall file with the commission the original and eight (8) copies of a~~
8 ~~completed application for purchased water adjustment in the form set forth in Section 6 of~~
9 ~~this administrative regulation. All exhibits designated therein must be filed with the~~
10 ~~application and shall be considered a part of the application.~~

11 ~~(3) An applicant shall not implement its proposed rates until the commission issues~~
12 ~~an order authorizing the applicant to adjust its rates. The maximum amount of the~~
13 ~~adjustment so ordered shall not produce revenue adjustments greater than the difference~~
14 ~~between the purchased water billed at the base rate and the purchased water billed at the~~
15 ~~changed rate. Where the applicant's unaccounted for water loss is determined to be~~
16 ~~greater than either fifteen (15) percent or the percent expressly allowed in the applicant's~~
17 ~~last rate case, water purchases as defined in subsection (1)(b) of this section shall be~~
18 ~~adjusted to allow only the unaccounted for water loss found reasonable.~~

19 ~~(4) In the event of an increase only, the applicant shall notify its customers of the~~
20 ~~proposed rate increase. The notice may be accomplished by a bill insert or by publication~~
21 ~~once a week for three (3) consecutive weeks in a newspaper of general circulation. Such~~
22 ~~notice shall set out the rates proposed to be charged by the applicant to its customers~~
23 ~~and shall contain the following language: "The rates contained in this notice are the rates~~

1 proposed by (name of utility). However, the Public Service Commission may order rates
2 to be charged that differ from these proposed rates. Such action may result in rates for
3 consumers other than the rates in this notice."

4 ~~Section 3. Calculation of the Purchased Water Adjustment. If a change is made in~~
5 ~~a base rate charged to a water utility by its supplier(s), the unit charges of the utility's tariff~~
6 ~~shall be increased or decreased by a purchased water adjustment calculated as follows:~~

7 ~~(1) Water purchases shall be computed at the supplier's base rate and the~~
8 ~~supplier's changed rate using a period of twelve (12) calendar months ending within~~
9 ~~ninety (90) days of the filing date of the application. The difference between these~~
10 ~~amounts shows the total change in the applicant's purchased water costs.~~

11 ~~(2) The total change in purchased water costs shall be divided by the actual~~
12 ~~number of cubic feet or gallons sold, yielding the purchased water adjustment expressed~~
13 ~~in cents per cubic feet or gallons, unless the applicant's unaccounted for water loss~~
14 ~~exceeds either fifteen (15) percent or the percent allowed in the applicant's last rate case.~~

15 ~~(3) In instances where the water loss exceeds fifteen (15) percent and no~~
16 ~~reasonable percentage has been determined in its last rate case, the actual water sales~~
17 ~~shall be divided by eighty-five (85) percent yielding the maximum allowable water~~
18 ~~purchases. Where a reasonable percentage of unaccounted for water loss was expressly~~
19 ~~determined in the applicant's last rate case, the actual water sales shall be divided by~~
20 ~~(100 percent minus the percentage found reasonable) yielding the maximum allowable~~
21 ~~water purchases. The maximum allowable water purchases shall then be multiplied by~~
22 ~~the supplier's base rate and the changed rate. The difference between these amounts will~~
23 ~~be the total allowable change in the applicant's purchased water costs. The total~~

1 allowable change shall then be divided by the actual number of cubic feet or gallons sold,
2 yielding the purchased water adjustment expressed in cents per cubic feet or gallons.

3 ~~Section 4. Procedure for Distribution of Refunds from Suppliers. In the event a~~
4 ~~water utility receives a refund from its supplier for amounts previously paid, the water~~
5 ~~utility shall immediately apply to the commission for authority to make adjustments on the~~
6 ~~amounts charged customers' bills under this administrative regulation as follows:~~

7 (1) ~~The total refund received by the water utility shall be divided by the number of~~
8 ~~cubic feet or gallons of water the water utility estimates it will sell to its customers during~~
9 ~~the two (2) month period beginning with the first day of the month following receipt of the~~
10 ~~refund, yielding the refund factor to be applied against each cubic foot or gallon of water~~
11 ~~sold thereafter.~~

12 (2) ~~Effective with meter readings taken on and after the first day of the second~~
13 ~~month following receipt of the refund, the water utility will reduce by the refund factor any~~
14 ~~purchased water adjustment that would otherwise be applicable during the period. The~~
15 ~~period of reduced purchased water adjustment shall be adjusted, if necessary, in order to~~
16 ~~most nearly approximate the total amount to be refunded. The water utility shall make full~~
17 ~~distribution of the refund within two (2) months.~~

18 (3) ~~In the event a water utility receives a large or unusual refund, the water utility~~
19 ~~may apply to the commission for a deviation from the procedure for distribution of refunds~~
20 ~~specified herein.~~

21 ~~Section 5. Procedure for Decrease in Purchased Water Costs. In the event a water~~
22 ~~utility receives a decrease in the rates charged it by its supplier, the purchased water~~

1 adjustment shall be determined by the same procedure as set out in Section 3 of this
2 administrative regulation and the utility's rates to its customers reduced accordingly.

3 ~~Section 6. Form of Application for Purchased Water Adjustment. Applications for~~
4 ~~purchased water adjustments shall be in substantially the following form, shall contain all~~
5 ~~information requested and shall be accompanied by all exhibits designated therein.~~
6 ~~Copies of forms for use in making such applications may be obtained from the~~
7 ~~commission upon request.~~

8 ~~APPLICATION FOR RATE ADJUSTMENT BEFORE THE~~
9 ~~PUBLIC SERVICE COMMISSION OF KENTUCKY~~

10 ~~For Purchased Water Adjustment~~

11 ~~Pursuant to 807 KAR 5:067~~

12 ~~Name of Utility:~~

13 ~~Business Mailing Address:~~

14 ~~Telephone Number: (Area Code, Number)~~

15 ~~NAME, TITLE, ADDRESS and TELEPHONE NUMBER of the person to whom~~
16 ~~correspondence or communications concerning this application should be directed:~~

17 ~~NAME:~~

18 ~~TITLE:~~

19 ~~ADDRESS:~~

20 ~~TELEPHONE NUMBER: (Area Code, Number)~~

21 ~~Signature:~~

22 ~~I. Basic Information~~

1 NOTICE: (1) This application must be completed in its entirety and will not be
2 considered until all required information has been filed with the Commission.

3 (2) The purchased water adjustment is designed for the purpose of providing a
4 mechanism whereby a utility may recover the actual costs of water purchased only. No
5 other increases in costs will be considered within this application nor is any change in rate
6 design permissible under this administrative regulation.

7 (3) Eight (8) copies of the application and exhibits must be filed. The application
8 and any additional information that may be requested shall be addressed and/or
9 submitted to: Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort,
10 Kentucky 40601.

11 1. Has this application been filed for purposes of an increase in rates, decrease in
12 rates or a refund?

13 Increase _____ Decrease _____ Refund _____

14 2. What is the amount of the increase, decrease, or refund?

15 Total revenue change \$

16 Purchased water adjustment _____¢ per cubic foot or gallon as determined in Item
17 40(c).

18 3.(a) Names of all wholesale suppliers and the base rate and changed rate of
19 each. In the event the water purchased is billed by the supplier on other than a flat rate
20 schedule, the entire rate schedule must be shown. Attach additional sheets if needed.

Supplier	Base Rates	Changed Rates
-	-	-
-	-	-

-	-	-
---	---	---

1 ~~(b) A copy of the wholesale supplier's tariffs, ordinances, or other documents~~
2 ~~establishing both the base supplier rate and the changed supplier rate are attached as~~
3 ~~Exhibit _____ to this application.~~

4 ~~(c) A copy of the supplier's statement to the utility showing the effective date of the~~
5 ~~changed rate is attached as Exhibit ____ to this application.~~

6 ~~4.(a) Has the utility provided appropriate notice to its customers by either a bill~~
7 ~~insert or by publication in accordance with the provisions of 807 KAR 5:067, Section 2(4).~~
8 ~~Yes U No U~~

9 ~~(b) A copy of the utility's notice to its customers is attached as Exhibit _____ to this~~
10 ~~application.~~

11 ~~5. Revised tariff sheet(s) showing the rates proposed to be charged by the utility to~~
12 ~~its customers is attached as Exhibit ____ to this application.~~

13 ~~Note: The revised tariff sheet(s) must show the rates proposed to be charged by~~
14 ~~the utility for each customer class in the form shown in Item 12. The issue date should be~~
15 ~~the date the application is filed with the commission. The effective date will be the date of~~
16 ~~the commission's order in this case. In the event the proposed tariff is correct and~~
17 ~~approved as filed, no further tariff forms will be required. The effective date, case number~~
18 ~~and order date will be completed by commission staff and a stamped copy of the~~
19 ~~approved tariff sheet will be returned to the utility for its files. Each sheet must be signed~~
20 ~~by the officer authorized to issue tariffs.~~

1 6. The twelve (12) month period used to calculate the purchased water adjustment
2 ends _____ (month and year). This test period must end within ninety
3 (90) days of the date this application is filed.

4 7. Water purchases. Where water is purchased from more than one (1) supplier,
5 purchases from each supplier must be shown separately. Where water is purchased from
6 a supplier through more than one (1) meter and bills are computed individually for each
7 meter, purchases should also be shown separately for each meter. Attach additional
8 sheets if necessary.

SUPPLIER'S NAME	TOTAL GALLONS PURCHASED		
	Meter No. 1	Meter No. 2	Meter No. 3
-	-	-	-
-	-	-	-
TOTAL	-	-	-

9 8. Water sales. Total gallons sold during twelve (12) month test period:

10 9. Maximum allowable gallons. The maximum allowable gallons upon which the
11 purchased water adjustment may be based shall be determined in one of the following
12 ways:

13 (a) Where a reasonable unaccounted-for water loss was expressly determined in
14 the utility's last general rate case and actual unaccounted-for water loss exceeds the
15 percent found reasonable, the water sales shall be divided by (100 percent minus the
16 percent found reasonable) yielding the maximum allowable gallons to be entered in Item
17 40(a) or (b).

Cost at changed rate \$ _____

1

Base Rates Usage Blocks		Rate	Cost
1st ____	gal. x 12 mo. = ____	gal.(12 x Min.) =	-
Next ____	gal. x 12 mo. = ____	gal. x ____ =	-
Next ____	gal. x 12 mo. = ____	gal. x ____ =	-
Next ____	gal. x 12 mo. = ____	gal. x ____ =	-
Over ____	gal. x 12 mo. = ____	gal. x ____ =	-
Total allowable gal. _____			
Cost at changed rate \$ _____			
Cost at changed rate: \$ ____ minus Cost at base rate: \$ ____			
ALLOWABLE CHANGE: \$			

2

~~*Where the utility receives purchased water through two (2) or more meters and the supplier computes bills individually for each meter, the costs should be calculated separately for each meter at the base rate and the changed rate, then combined to arrive at the total allowable change in costs. Attach additional sheets if necessary.~~

6

~~(c) Purchased water adjustment.~~

7

~~_____ / _____ = _____ ¢ per gal. or c.f.~~

8

~~Allowable Change _____ Gallons Sold~~

9

~~NOTE: In the event the utility receives a decrease in the rates from its wholesale supplier, the purchased water adjustment shall be calculated in the same manner as set out in Items 9 and 10, and its rates reduced accordingly.~~

11

David L. Armstrong, Chairman
Public Service Commission

DATE: _____

PUBLIC HEARING: A public hearing on this administrative regulation shall be held on August 21, 2013, at 9:00 a.m., Eastern Daylight Time, at the Public Service Commission's office, 211 Sower Boulevard, Frankfort, Kentucky. Individuals interested in attending this hearing shall notify this agency in writing by August 14, 2013, five working days prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be cancelled.

This hearing is open to the public. Any person who attends will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made.

If you do not wish to attend the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until September 3, 2013. Send written notification of intent to attend the public hearing or written comments on the proposed administrative regulation to:

Gerald E. Wuetcher
Executive Advisor/Attorney
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602
Tel: (502) 564-3940
Fax: (502) 564-3460

REGULATORY IMPACT ANALYSIS

Administrative Regulation #: 807 KAR 5:067

Contact Person: Gerald E. Wuetcher, Executive Advisor

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation provides the rules and guidelines for investor owned water utilities to pass its purchased water costs through to its customers.

(b) The necessity of this administrative regulation: This regulation is necessary to provide a timely and simplified method for an investor owned water utility to adjust its rates in accordance with a rate adjustment from its wholesale water supplier.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 278.040(3) authorizes the Commission to adopt reasonable regulations to implement the provisions of KRS Chapter 278.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: It provides a cost effective and timely method for an investor owned water utility to pass through changes in costs of the water it purchases.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: It gives an investor owned water utility the option of filing the information required for a purchased water adjustment in an electronic format. It also revises the notice requirements for a rate revision to enhance the information provided to its customers. And finally, the amendment requires the utility to post notice of proposed rate changes at its website and to advise the public of where electronic copies of rate filings can be obtained at no cost.

(b) The necessity of the amendment to this administrative regulation: This regulation has not been amended in 27 years and currently makes no provision for the use of electronic filing procedures. This amendment will incorporate Public Service Commission practices developed since the regulations last amendment in 1986.

(c) How the amendment conforms to the content of the authorizing statutes: KRS 278.030(1) provides that all rates charged by a water utility subject to the jurisdiction of the Public Service Commission shall be fair, just, and reasonable. This

amendment prescribes the requirements under which an investor owned water utility may implement a purchased water adjustment designed to recover the actual costs of purchased water, thus providing rates that are fair, just, and reasonable.

(d) How the amendment will assist in the effective administration of the statutes: The amendment will benefit investor owned water utilities by giving them the option of filing a purchased water adjustment electronically, thus reducing the expenses for paper, printing, and postage.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: The proposed amendment will affect water utilities that purchase water from a wholesale provider.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: This amendment does not require any additional action by the investor owned water utility but rather provides the option of a more efficient method to file a purchased water adjustment application.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): There are no costs to comply because there are no new requirements, just an additional option that water utilities may choose to utilize.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): For a utility that chooses the option to electronically file its purchased water adjustment application, this amendment will reduce the number of documents that must be filed. Filing the application electronically in lieu of filing paper documents should result in reduced paper, printing, and postage costs for the utility.

(5) Provide an estimate of how much it will cost to the administrative body to implement this administrative regulation:

(a) Initially: Implementation of the proposed amendment will not involve additional costs.

(b) On a continuing basis: No additional costs are expected.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: No additional funding is required.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No increase in fees or funding is necessary or will be required.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: No.

(9) TIERING: Is tiering applied? No.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation No.: 807 KAR 5:067

Contact Person: Gerald Wuetcher
(502) 564-3940
gerald.wuetcher@ky.gov

1. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? Public Service Commission; Office of Attorney General (Utility Rate and Intervention Division).

2. Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 278.040(3) authorizes the commission to promulgate administrative regulations.

3. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? No direct increase in revenue will result from the adoption of the proposed amendment for any governmental agency. The proposed amendment does not provide for the Public Service Commission to assess any fee or charge.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? No direct increase in revenue will result from the adoption of the proposed amendment for any governmental agency. The proposed amendment does not provide for the Public Service Commission to assess any fee or charge.

(c) How much will it cost to administer this program for the first year? No increase in the Public Service Commission's cost of reviewing purchased water adjustment applications is expected to result from the adoption of the proposed amendment. The Public Service Commission will be performing the same level of review and require the same number of employees to conduct its review. If the proposed amendment is adopted a utility may experience lower expenses when filing purchased water adjustment applications if the choice is made to electronically file the application. The exact amount of any savings is too difficult to quantify.

(d) How much will it cost to administer this program for subsequent years? No increase in the Public Service Commission's cost of reviewing purchased water

adjustment applications is expected to result from the adoption of the proposed amendment. The Public Service Commission will be performing the same level of review and require the same number of employees to conduct its review. If the proposed amendment is adopted a utility may experience lower expenses when filing purchased water adjustment applications if the choice is made to electronically file the application. The exact amount of any savings is too difficult to quantify.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):

Expenditures (+/-):

Other Explanation:

SUMMARY OF INCORPORATED MATERIAL

(1) Purchased Water Adjustment Form 2 – “Purchased Water Adjustment for Investor Owned Water Utilities” – is a three page form that an investor owned water utility must complete in order to apply for a Purchased Water Adjustment. When properly completed, it contains the required information necessary for an investor owned water utility to calculate its purchased water adjustment factor when its wholesale supplier changes its rates. It aids the Public Service Commission in processing a Purchased Water Adjustment case by organizing all of the information on one form.

**PURCHASED WATER ADJUSTMENT FOR
INVESTOR OWNED UTILITIES
(807 KAR 5:067)**

Name of Utility		
Date		
Address		
City, State, Zip		
Telephone Number		

1.a. Name of all wholesale suppliers and the base (current) rate and changed rate of each. In the event the water purchased is billed by the supplier on a rate that is not a flat rate schedule, the entire rate schedule must be shown. Attach additional sheets if necessary.

Supplier(s)	Base Rate	Changed Rate

1.b. A copy of the supplier's notice of the changed rate showing the effective date of the increase is attached as Exhibit.

2. Twelve-month period upon which the purchased water adjustment is based. (This twelve-month period must end within 90 days of this filing).

From		through	
	(month and year)		(month and year)

3. a. Statement of water purchases. Where water is purchased from more than one supplier, purchases from each supplier must be shown separately. If water is purchased through a declining block rate schedule, purchases for each month must be shown. Attach an additional sheet if necessary.	
Supplier(s)	Gallons Purchased during 12 month period
TOTAL PURCHASES	
MAXIMUM ALLOWABLE GALLONS	
3. b. If a reasonable unaccounted for water loss was expressly determined in the utility's last general rate case then the maximum allowable gallons is calculated as follows:	
TOTAL GALLONS SOLD ÷ (100% - percentage of unaccounted water loss found reasonable) =	
3. c. No unaccounted for water loss was expressly determined in the utility's last rate case and the actual unaccounted for water loss exceeds 15% then the maximum allowable gallons is calculated as follows:	
TOTAL GALLONS SOLD ÷ (0.85) =	
3. d. No unaccounted for water loss was expressly determined in the utility's last rate case and the actual unaccounted for water loss is less than 15% then the actual gallons of water purchased is used:	
ENTER ACTUAL GALLONS PURCHASED	
4. Total gallons sold for the 12 month period	
5. Increased water cost	

The increased water cost is the cost difference between Maximum Allowable Purchases at base (current rate) and purchases at new rate.

6. Purchased water adjustment factor*

*The purchased water adjustment factor is obtained by dividing the increased cost of water by the total gallons sold. (Number 5 ÷ (Number 4 ÷ 1,000))

Note: The purchased water adjustment factor is added to each thousand gallons sold. If the minimum usage is 2,000 gallons then the purchased water adjustment factor would be added to the minimum bill twice.

7. Revised tariff sheets must be attached showing the rate to be charged by the utility and the effective date of the increased rates.

8. Proposed effective date

Signature of Utility Officer

Title