

1 ENERGY AND ENVIRONMENT CABINET

2 Public Service Commission

3 (Amended After Comments)

4 807 KAR 5:076. Alternative rate adjustment procedure for small utilities.

5 RELATES TO: KRS 278.010, 278.030, 278.160, 278.180~~[, 278.185]~~, 278.190,
6 278.310, 278.380

7 STATUTORY AUTHORITY: KRS 278.040(3), 278.160(1), 278.180~~[, 278.185(4)]~~

8 NECESSITY, FUNCTION AND CONFORMITY: KRS 278.040(3) authorizes the
9 commission to promulgate administrative regulations to implement KRS Chapter 278.
10 This administrative regulation establishes a simplified and less expensive procedure for
11 small utilities to use to apply to the commission for rate adjustments.

12 Section 1. Definitions. (1) "Annual report" means the financial and statistical
13 report incorporated by reference in 807 KAR 5:006, which requires a utility to file the
14 annual report with the commission.

15 (2) "Annual report for the immediate past year" means an annual report that
16 covers the applicant's operations for either:

17 (a) The calendar year period prior to the year in which the applicant's application
18 for rate adjustment is filed with the commission; or

19 (b) The most recent calendar year period that 807 KAR 5:006, Section 4(1),
20 requires the applicant to have on file with the commission as of the date of the filing of
21 its application for rate adjustment.

1 (3) "Applicant" means a utility that is applying for an adjustment of rates using the
2 procedure established in this administrative regulation.

3 (4) "Gross annual revenue" means:

4 (a) The total revenue that a utility derived during a calendar year; or

5 (b) If the utility operates two (2) or more divisions that provide different types of
6 utility service, the total amount of revenue derived from the division for which a rate
7 adjustment is sought.

8 (5) "Rate" is defined by KRS 278.010(12).

9 ~~(6) ["Sewage utility" means a utility that meets the requirements of KRS
10 278.010(3)(f).~~

11 ~~(7) "Utility" is defined by KRS 278.010(3).~~

12 ~~(7) [(8)] "Water district" means a special district or special purpose governmental
13 entity created pursuant to KRS Chapter 74.~~

14 ~~(8) [(9)] "Web site" means an identifiable site on the Internet, including social
15 media, which is accessible to the public.~~

16 Section 2. Utilities Permitted to File Application. A utility may apply for an
17 adjustment of rates using the procedure established in this administrative regulation if it:

18 (1) Had gross annual revenue in the immediate past calendar year of \$5,000,000
19 or less;

20 (2) Maintained **[adequate]** financial records fully separated from a commonly-
21 owned enterprise; and

22 (3) Filed with the commission fully completed annual reports for the immediate
23 past year and for the two (2) prior years if the utility has been in existence that long.

1 Section 3. The Record upon which Decision Shall Be Made. The commission
2 shall make its decision based on the:

3 (1) Applicant's annual report for the immediate past year and the annual reports
4 for the two (2) prior years, if the utility has been in existence that long;

5 (2) ~~[The]~~Application required by Section 4 of this administrative regulation;

6 (3) Information supplied by the parties in response to requests for information;

7 (4) Written reports submitted by commission staff;

8 (5) Stipulations and agreements between the parties and commission staff;

9 (6) Written comments and information that the parties to the proceeding
10 submitted in response to the findings and recommendations contained in a written
11 report that commission staff submitted; and

12 (7) If a hearing is held, the record of that hearing.

13 Section 4. Application. (1) An application for alternative rate adjustment shall
14 consist of a:

15 (a) **Completed Application for Rate Adjustment before the Public Service**
16 **Commission.**~~[A completed]~~ ARF Form-1, that is made under oath and signed by the
17 applicant or an officer who is duly designated by the applicant and who has knowledge
18 of the matters established in the application;

19 (b) ~~[A]~~Copy of all outstanding evidences of indebtedness, such as mortgage
20 agreements, promissory notes, and bond resolutions;

21 (c) ~~[A]~~Copy of the amortization schedule for each outstanding bond issuance,
22 promissory note, and debt instrument;

23 (d) ~~[A]~~Depreciation schedule of all utility plant in service;

1 (e) [A] Copy of the most recent state and federal tax returns of the applicant, if
2 the applicant is required to file returns;

3 (f) [A] Detailed analysis of the applicant's customers' bills showing revenues from
4 the present and proposed rates for each customer class;

5 (g) [A] Copy of the notice of the proposed rate change that is provided to
6 customers of the applicant; and

7 (h) **Statement of Disclosure of Related Transactions**, [A ~~completed~~] ARF
8 Form-3₁, for each member of the utility's board of commissioners or board of directors,
9 each person who has an ownership interest of ten (10) percent or more in the utility, and
10 the utility's chief executive officer[; ~~and~~

11 ~~(i) If a water district proposes to increase any current rate for service or
12 implement a new rate for service, a statement from an authorized official of the district
13 indicating the date the proposed rate increase or new rate was reported to the
14 governing body of the county in which the largest number of its customers resides and
15 the date it presented testimony, or is scheduled to present testimony, to that governing
16 body].~~

17 (2) Except as provided in 807 KAR 5:001, Section 8 for electronic filings, the
18 applicant shall:

19 (a) Submit one (1) original and five (5) paper copies of its application to the
20 executive director of the commission; and

21 (b) Deliver or mail one (1) paper copy to the Office of Rate Intervention, Office of
22 the Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-

1 8204 or transmit by electronic mail an electronic copy in portable document format to
2 the Office of Rate Intervention at rateintervention@ag.ky.gov.

3 (3) Each party filing documents with the commission shall be responsible for
4 reviewing and redacting any personal identifying information in compliance with the
5 rules and procedures set forth in 807 KAR 5:001, Section 4(10).~~[(a) If the application~~
6 ~~contains an individual's Social Security number, taxpayer identification number, birth~~
7 ~~date, or a financial account number, the applicant shall redact the document so the~~
8 ~~following information cannot be read:~~

- 9 1. ~~The digits of the Social Security number or taxpayer identification number;~~
- 10 2. ~~The month and day of an individual's birth; and~~
- 11 3. ~~The digits of the financial account number.~~

12 ~~(b) To redact the document, the applicant shall replace the identifiers with neutral~~
13 ~~placeholders or cover the identifiers with an indelible mark, that so obscures the~~
14 ~~identifiers that they cannot be read.]~~

15 (4) The application shall not contain any request for relief from the commission
16 other than an adjustment of rates.

17 (5) A utility may make written request to the executive director for commission
18 staff assistance in preparing the application.

19 Section 5. Notice. Upon filing an application for an alternative rate adjustment, a
20 utility shall provide notice as established in this section.

21 (1) Public postings.

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

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

3 1. A copy of the public notice; and

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

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

8 (2) Customer Notice.

9 (a) If a utility has twenty (20) or fewer customers~~[or is a sewage utility]~~, it shall
10 mail a written notice to each customer no later than the date on which the application is
11 submitted to the commission.

12 (b) If a utility has more than twenty (20) customers~~[and is not a sewage utility]~~, it
13 shall provide notice by:

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

16 2. Mailing a written notice to each customer no later than the date the application
17 is submitted to the commission;

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

22 4. Publishing notice in a trade publication or newsletter delivered to all customers
23 no later than the date the application is submitted to the commission.

1 (c) A utility that provides service in more than one (1) county~~and is not a sewage~~
2 ~~utility~~] may use a combination of the notice methods listed in paragraph (b) of this
3 subsection.

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

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

9 (b) If notice is published in a newspaper of general circulation in a utility's service
10 area, an affidavit from the publisher verifying the contents of the notice, that the notice
11 was published, and the dates of the notice's publication; or

12 (c) If notice is published in a trade publication or newsletter delivered to all
13 customers, an affidavit from an authorized representative of the utility verifying the
14 contents of the notice, the mailing of the trade publication or newsletter, that notice was
15 included in the publication or newsletter, and the date of mailing.

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

18 (a) The date the proposed rates are expected to be filed with the commission;

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

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

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

3 (e) A statement that a person may examine this application at the offices of
4 (utility name) located at (utility address);

5 (f) A statement that a person may examine this application at the commission's
6 offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday,
7 8:00 a.m. to 4:30 p.m., or through the commission's Web site at <http://psc.ky.gov>;

8 (g) A statement that comments regarding the application may be submitted to the
9 Public Service Commission through the commission's Web site or by mail to Public
10 Service Commission, Post Office Box 615, Frankfort, Kentucky 40602;

11 (h) A statement that the rates contained in this notice are the rates proposed by
12 (utility name) but that the Public Service Commission may order rates to be charged
13 that differ from the proposed rates contained in this notice;

14 (i) A statement that a person may submit a timely written request for intervention
15 to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602,
16 establishing the grounds for the request including the status and interest of the party;
17 and

18 (j) A statement that if the commission does not receive a written request for
19 intervention within thirty (30) days of initial publication or mailing of the notice, the
20 commission may take final action on the application.

21 Section 6. Except as provided in 807 KAR 5:001, Section 8(2), an applicant shall
22 not be required to provide the commission with advance notice of its intent to file an

1 application for rate adjustment using the procedure established in this administrative
2 regulation.

3 Section 7. Effective Date of Proposed Rates. (1) An applicant shall not place the
4 proposed rates into effect until the commission has issued an order approving those
5 rates or six (6) months from the date of filing of its application, whichever occurs first.

6 (2) If the commission has not issued its order within six (6) months from the date
7 of filing of the application, the applicant may place its proposed rates in effect subject to
8 refund upon providing the commission with written notice of its intent to place the rates
9 into effect.

10 (3) The applicant shall maintain its records in a manner to enable it, or the
11 commission, to determine the amounts to be refunded and to whom a refund is due if
12 the commission orders a refund.

13 Section 8. Amendment of Proposed Rates. (1) Except **if[when]** responding to the
14 findings set forth in a commission staff report filed in accordance with Section 11 of this
15 administrative regulation, an applicant shall not amend the proposed rates set forth in its
16 application unless the applicant:

17 (a) Files written notice of the proposed amendment with the commission; and

18 (b) Publishes notice of the amended proposed rates in the manner provided in
19 Section 5 of this administrative regulation.

20 (2) An applicant shall not place amended proposed rates into effect until the
21 commission has issued an order approving those rates or six (6) months from the date
22 of filing of the written notice of proposed amendment, whichever occurs first.

1 (3) If the commission has not issued an order within six (6) months from the date
2 of filing of the notice of amended proposed rates, the applicant may place the amended
3 proposed rates in effect subject to refund upon providing the commission with written
4 notice of its intent to place the rates into effect but shall maintain its records in a manner
5 to enable it, or the commission, to determine the amounts to be refunded and to whom
6 a refund is due if the commission orders a refund.

7 Section 9. Test Period. The reasonableness of the proposed rates shall be
8 determined using a twelve (12) month historical test period, adjusted for known and
9 measureable changes, that coincides with the reporting period of the applicant's annual
10 report for the immediate past year.

11 Section 10. Discovery. (1) The minimum discovery available to intervening
12 parties shall be as prescribed by this subsection.

13 (a) A party in the proceeding may serve written requests for information upon the
14 applicant within twenty-one (21) days of an order permitting that party to intervene in the
15 proceeding.

16 (b) Upon serving requests upon the applicant, the party shall file a copy of the
17 party's requests with the commission and serve a copy upon all other parties.

18 (c) Within twenty-one (21) days of service of timely requests for information from
19 a party, the applicant shall serve its written responses upon each party and shall file
20 with the commission one (1) original and five (5) copies.

21 (2) The commission may establish different arrangements for discovery if it finds
22 different arrangements are necessary to evaluate an application or to protect a party's
23 rights to due process.

1 Section 11. Commission Staff Report. (1) Within thirty (30) days of the date that
2 an application is accepted for filing, the commission shall enter an order advising the
3 parties if commission staff will prepare a report on the application.

4 (2) If a commission staff report is prepared, the:

5 (a) Commission staff shall:

6 1. File the report with the commission; and

7 2. Serve a copy of the report on all parties of record; and

8 (b) Report shall contain the commission staff's findings and recommendations
9 regarding the proposed rates.

10 (3)(a) Each party shall file with the commission a written response to the
11 commission staff report within fourteen (14) days of the filing of the report.

12 (b) This written response shall contain:

13 1. All objections to and other comments on the findings and recommendations of
14 commission staff;

15 2. A request for hearing or informal conference, if applicable;

16 3. The reasons why a hearing or informal conference is necessary; and

17 4. If commission staff reports that the applicant's financial condition supports a
18 higher rate than the applicant proposed or recommends the assessment of an additional
19 rate or charge not proposed in the application, the filing party's position on if the
20 commission should authorize the assessment of the higher rate or the recommended
21 additional rate or charge.

22 (c) If a party's written response fails to contain an objection to a finding or
23 recommendation contained in the commission staff report, it shall be deemed to have

1 waived all objections to that finding or recommendation. A party's failure to request a
2 hearing or informal conference in the party's written response shall be deemed a waiver
3 of all rights to a hearing on the application and a request that the case stand submitted
4 for decision.

5 (d) If a party fails to file a written response with the commission within this time
6 period, it shall be deemed to have waived all objections to the findings and
7 recommendations contained in the report and all rights to a hearing on the application.

8 (e) Acceptance of the findings and recommendations contained in the
9 commission staff report by all parties in a proceeding shall not preclude the commission
10 from conducting a hearing on the application, taking evidence on the applicant's
11 financial operations, or ordering rates that differ from or conflict with the findings and
12 recommendations established in the commission staff report.

13 (f) If commission staff reports that the applicant's financial condition supports a
14 higher rate than the applicant proposed or commission staff recommends the
15 assessment of an additional rate or charge not proposed in the application and
16 commission staff's proposed rates produce a total increase in revenues that exceeds
17 110 percent of the total increase in revenues that the applicant's proposed rates will
18 produce and the applicant amends its application to request commission staff's
19 proposed rates, the commission shall order the applicant to provide notice of the finding
20 or recommendation to its customers.

21 Section 12. Notice of Hearing. (1) If the commission orders a hearing, the
22 applicant shall publish in a newspaper or mail to the applicant's customers notice of the
23 hearing.

1 (2) The notice shall state the purpose, time, place, and date of the hearing.

2 (3) Newspaper notice shall be published once in a newspaper of general
3 circulation in the applicant's service area no fewer than seven (7) and no more than
4 twenty-one (21) days prior to the hearing.

5 (4) Mailed notices shall be mailed at least fourteen (14) days prior to the date of
6 the hearing.

7 Section 13. Utility Personnel Participation in Commission Proceedings. (1) An
8 authorized official or employee of the applicant who is not licensed to practice law in
9 Kentucky may, on behalf of an applicant that is a water district, corporation, partnership,
10 or limited liability company, file the application, responses to commission orders and
11 requests for information, as well as appear at conferences related to the application.

12 (2) An applicant that is a water district, corporation, partnership, or limited liability
13 company shall, at a hearing conducted on the application, be represented by an
14 attorney who is authorized to practice law in Kentucky.

15 Section 14. Filing Procedures. (1) Unless the commission orders otherwise or the
16 electronic filing procedures established in 807 KAR 5:001, Section 8, are used, if a
17 document in paper medium is filed with the commission, five (5) additional copies in
18 paper medium shall also be filed.

19 (2) All documents filed with the commission shall conform to the requirements
20 established in this subsection.

21 (a) Form. Each filing shall be printed or typewritten, double spaced, and on one
22 (1) side of the page only.

1 (b) Size. Each filing shall be on eight and one-half (8 1/2) inches by eleven (11)
2 inches paper.

3 (c) Font. Except for ARF Form-1 and ARF Form-3, each filing shall be in type no
4 smaller than twelve (12) point, except footnotes, which shall be in type no smaller than
5 ten (10) point.

6 (d) Binding. A side-bound or top-bound filing shall also include an identical
7 unbound copy.

8 (3) Except as provided for in 807 KAR 5:001, Section 8, a filing made with the
9 commission outside its business hours shall be considered as filed on the commission's
10 next business day.

11 (4) A document submitted by facsimile transmission shall not be accepted.

12 Section 15. Use of Electronic Filing Procedures in lieu of Submission of Paper
13 Documents. Upon an applicant's election of the use of electronic filing procedures within
14 the time limits established in 807 KAR 5:001, Section 8(2), the procedures established
15 in 807 KAR 5:001, Section 8, shall be used in lieu of other filing procedures established
16 in this administrative regulation.

17 Section 16. The provisions of 807 KAR 5:001, Sections 1 through 6, 8 through
18 11, and 13, shall apply to commission proceedings involving applications filed pursuant
19 to this administrative regulation.

20 Section 17. Upon a showing of good cause, the commission may permit
21 deviations from this administrative regulation. Requests for deviation shall be submitted
22 in writing by letter to the commission.

1 Section 18. Incorporation by Reference. (1) The following material is incorporated
2 by reference:

3 (a) "Application for Rate Adjustment before the Public Service Commission", ARF
4 Form 1, **July 2014**~~[November 2013]~~; and

5 (b) "Statement of Disclosure of Related Party Transactions", ARF Form 3,
6 November 2013.

7 (2) This material may be inspected, copied, or obtained, subject to applicable
8 copyright law at the commission's offices at 211 Sower Boulevard, Frankfort, Kentucky
9 40601, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's
10 Web site at <http://psc.ky.gov/>.

David L. Armstrong, Chairman
Public Service Commission

Date:_____

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT
Regulation Number: 807 KAR 5:076

Contact Person: Stephanie Bell
Deputy Executive Director

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation provides a simplified and less expensive procedure by which small utilities may apply to the commission for rate increases. A small utility may apply for rate adjustments using the formal procedure outlined in 807 KAR 5:001 or by using the procedure prescribed in this administrative regulation, which is intended to minimize the need for formal hearings, to reduce filing requirements, and to shorten the time period between application and commission order.

(b) The necessity of this administrative regulation: This regulation will assist the Public Service Commission in timely reviewing applications for rate adjustment, will reduce the expense of rate case proceedings, and is necessary to the Public Service Commission's authority to regulate the rates of small utilities.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 278.030 permits utilities to demand and collect fair, just, and reasonable rates for services. KRS 278.040 confers exclusive jurisdiction on the Public Service Commission to regulate the rates and services of all utilities. KRS 278.160 requires all utilities to file their rate schedules with the Public Service Commission and to charge only rates that are filed with the Public Service Commission. KRS 278.180 - .192 provides a framework for utility rate adjustments. 807 KAR 5:076 permits a simplified and relatively inexpensive means for smaller utilities to obtain Public Service Commission approval of such adjustments and thus charge fair, just, and reasonable rates that reflect the actual cost of service.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: It provides a more cost effective and simplified means for small utilities to apply for rate adjustments. It provides clear guidance to small utilities on the documents necessary for a rate adjustment and simplifies the procedures necessary for a rate adjustment.

(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: The amendment eliminates the requirement that sewage utilities mail customer notices. The sewage utility may now provide customer notice in the same manner as other utilities. The amendment also eliminates the requirement for water districts requesting fee increases to present testimony or be scheduled to present testimony to its governing

body. Further, the amendment establishes that the filing party is responsible for redacting personal information.

(b) The necessity of the amendment to this administrative regulation: The amendment is necessary to comply with SB 123, HB 5, and HB 192 which became law during the 2014 legislative session.

(c) How the amendment conforms to the content of the authorizing statutes: KRS 278.030 permits utilities to demand and collect fair, just, and reasonable rates for services. KRS 278.040 confers exclusive jurisdiction on the Public Service Commission to regulate the rates and services of all utilities. KRS 278.160 requires all utilities to file their rate schedules with the Public Service Commission and to charge only rates that are filed with the Public Service Commission. KRS 278.180 - .192 provides a framework for utility rate adjustments. 807 KAR 5:076 permits a simplified and relatively inexpensive means for smaller utilities to obtain Public Service Commission approval of such adjustments and thus charge fair, just, and reasonable rates that reflect the actual cost of service.

(d) How the amendment will assist in the effective administration of the statutes: The amendment will benefit both utilities and the Public Service Commission by eliminating the requirement that sewage utilities mail customer notices and eliminating the requirement that water districts seeking a fee increase present or schedule to present testimony to its governing body. The amendment notifies the utility that it is responsible for redacting personal information prior to filing documents.

(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 jurisdictional utilities filing an alternative rate application. .

(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: The proposed amendment will require utilities to redact personal information. .

(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.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): Sewage utilities are no longer required to mail customer notices. Sewage utilities may publish notice in the same manner as other utilities. Water districts seeking fee increases are no longer required to present or schedule to present testimony to its governing body.

(5) Provide an estimate of how much it will cost 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 established any fees or directly or indirectly increased any fees: No.

(9) TIERING: Is tiering applied? To the extent that the regulation establishes simplified procedures for utilities with annual revenues of less than \$5 million, tiering has been applied. The Public Service Commission believes that tiering is appropriate because the operations of smaller utilities are less complex, their recordkeeping practices are simpler, and the amount of documentary evidence to verify their financial operations is less than that of larger utilities. Moreover, given the smaller number of customers over which small utilities must spread rate case expense, the use of the same procedures as used for larger utilities will result in larger rate increases for smaller utilities.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Regulation Number: 807 KAR 5:076
Contact Person: Stephanie Bell
Phone number: (502) 564-3940

(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); jurisdictional utilities using the alternative rate filing.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 278.030 permits utilities to demand and collect fair, just, and reasonable rates for services. KRS 278.040 confers exclusive jurisdiction on the Public Service Commission to regulate the rates and services of all utilities. KRS 278.160 requires all utilities to file their rate schedules with the Public Service Commission and to charge only rates that are filed with the Public Service Commission. KRS 278.180 - .192 provides a framework for utility rate adjustments. 807 KAR 5:076 permits a simplified and relatively inexpensive means for smaller utilities to obtain Public Service Commission approval of such adjustments and thus charge fair, just, and reasonable rates that reflect the actual cost of service.

(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 applications for rate adjustment or otherwise regulate small public utilities 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. No

direct increase in costs will result from the adoption of proposed amendment for any governmental agency.

(d) How much will it cost to administer this program for subsequent years? No increase in the Public Service Commission's cost of reviewing applications for rate adjustment or otherwise regulate small public utilities 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. No direct increase in costs will result from the adoption of proposed amendment for any governmental agency.

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) ARF Form-1 – “Application For Rate Adjustment Before The Public Service Commission For Small Utilities Pursuant to 807 KAR 5:076” is a five-page form (excluding schedules) that an applicant for a rate adjustment made pursuant to 807 KAR 5:076 must complete. The application contains numerous statements that may be marked yes, no, or not applicable by checking one of three boxes that appear next to the statements. These questions established the applicant’s eligibility to use alternative rate filing procedures and its compliance with 807 KAR 5:076. The form remains virtually unchanged from that which was previously approved. “[O]r is a sewer utility” has been deleted from Paragraph 6(a), (b), and (c) (sheet 2) to comply with SB 123. Paragraph 19 of the Application (sheet 4) and the last item on the check list (sheet 5) have been deleted to comply with HB 192.

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

**APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION**

For Small Utilities Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

(Name of Utility)

(Business Mailing Address - Number and Street, or P.O. Box)

(Business Mailing Address - City, State, and Zip)

(Telephone Number)

BASIC INFORMATION

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:

(Name)

(Address - Number and Street or P.O. Box)

(Address - City, State, Zip)

(Telephone Number)

(Email Address)

(For each statement below, the Applicant should check either "YES", "NO", or "NOT APPLICABLE" (N/A))

- | | YES | NO | N/A |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|-----|
| 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input type="checkbox"/> | <input type="checkbox"/> | |
| b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input type="checkbox"/> | <input type="checkbox"/> | |
| 2. a. Applicant has filed an annual report with the Public Service Commission for the past year. | <input type="checkbox"/> | <input type="checkbox"/> | |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input type="checkbox"/> | <input type="checkbox"/> | |
| 3. Applicant's records are kept separate from other commonly-owned enterprises. | <input type="checkbox"/> | <input type="checkbox"/> | |

YES NO N/A

4. a. Applicant is a corporation that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- b. Applicant is a limited liability company that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- c. Applicant is a limited partnership that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- d. Applicant is a sole proprietorship or partnership.
- e. Applicant is a water district organized pursuant to KRS Chapter 74.
- f. Applicant is a water association organized pursuant to KRS Chapter 273.
5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.
- b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov.
6. a. Applicant has 20 or fewer customers and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- b. Applicant has more than 20 customers and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- c. Applicant has more than 20 customers and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." **(Attach completed "Reasons for Application" Attachment.)**

YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, _____.
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)**
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ _____ and total revenues from service rates of \$ _____. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**
12. As of the **date of the filing of this application**, Applicant had _____ customers.
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**
15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.

YES NO N/A

16. a. Applicant is not required to file state and federal tax returns.
- b. Applicant is required to file state and federal tax returns.
- c. Applicant's most recent state and federal tax returns are attached to this Application.
(Attach a copy of returns.)
17. Approximately _____ **(Insert dollar amount or percentage of total utility plant)** of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions.
18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires to complete such form.

By submitting this application, the Applicant consents to the procedures set forth in 807 KAR 5:076 and waives any right to place its proposed rates into effect earlier than six months from the date on which the application is accepted by the Public Service Commission for filing.

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed _____
 Officer of the Company/Authorized Representative

Title _____

Date _____

COMMONWEALTH OF KENTUCKY

COUNTY OF _____

Before me appeared _____, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

 Notary Public

My commission expires: _____

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment"
- Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- Attachment Billing Analysis" Attachment
- Depreciation Schedules
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return
- Statement of Disclosure of Related Party Transactions - ARF Form 3

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION

For Small Utilities Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

[Redacted field]

(Name of Utility)

[Redacted field]

(Business Mailing Address - Number and Street, or P.O. Box)

[Redacted field]

(Business Mailing Address - City, State, and Zip)

[Redacted field]

(Telephone Number)

BASIC INFORMATION

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:

[Redacted field]

(Name)

[Redacted field]

(Address - Number and Street or P.O. Box)

[Redacted field]

(Address - City, State, Zip)

[Redacted field]

(Telephone Number)

[Redacted field]

(Email Address)

(For each statement below, the Applicant should check either "YES", "NO", or "NOT APPLICABLE" (N/A))

YES NO N/A

- 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. YES NO
- b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. YES NO
- 2. a. Applicant has filed an annual report with the Public Service Commission for the past year. YES NO
- b. Applicant has filed an annual report with the Public Service Commission for the two previous years. YES NO
- 3. Applicant's records are kept separate from other commonly-owned enterprises. YES NO

YES NO N/A

4. a. Applicant is a corporation that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- b. Applicant is a limited liability company that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
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- f. Applicant is a water association organized pursuant to KRS Chapter 273.
5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.
- b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov.
6. a. Applicant has 20 or fewer customers [~~or is a sewer utility~~] and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- b. Applicant has more than 20 customers [~~, is not a sewer utility,~~] and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- c. Applicant has more than 20 customers [~~, is not a sewer utility,~~] and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." **(Attach completed "Reasons for Application" Attachment.)**

YES NO N/A

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YES NO N/A

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(Attach a copy of returns.)
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- 18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires to complete such form.
- ~~19. Applicant is a water district and has attached to this Application a statement from an authorized official indicating the date on which the proposed rate increase or new rate was reported to the county fiscal court in which the largest number of its customers resides and the date on which it presented testimony, or is scheduled to present testimony, to that fiscal court. **(Attach the statement.)**~~

By submitting this application, the Applicant consents to the procedures set forth in 807 KAR 5:076 and waives any right to place its proposed rates into effect earlier than six months from the date on which the application is accepted by the Public Service Commission for filing.

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed _____
Officer of the Company/Authorized Representative

Title _____

Date _____

COMMONWEALTH OF KENTUCKY

COUNTY OF _____

Before me appeared _____, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.

Notary Public

My commission expires: _____

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(Indicate all documents submitted by checking box)

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- State Tax Return
- Federal Tax Return
- Statement of Disclosure of Related Party Transactions - ARF Form 3
- [~~Statement of Water District Regarding Notice of Proposed Rates to County Fiscal Court and Presentation of Testimony to County Fiscal Court]~~

STATEMENT OF CONSIDERATION
Relating to 807 KAR 5:076
(Amended After Comments)

I. The public hearing on 807 KAR 5:076, scheduled for July 22, 2013 at 9:00 a.m. at the Public Service Commission's office was cancelled; however, written comments were received during the public comment period.

II. The following people submitted written comments:

<u>Name and Title</u>	<u>Agency/Organization/Entity/Other</u>
Damon Talley, Attorney	Kentucky Rural Water Association

III. The following people from the promulgating body responded to the written comments.

<u>Name and Title</u>
Ann Ramser Staff Attorney III

IV. Summary of Comments and Responses

- (1) Subject Matter: Section 4 and Section 18 Alternative Rate Filing Form 1
 - (a) Commenter: Damon Talley
Comment: Section 4 refers to the Alternative Rate Filing Form 1 and Section 18 incorporates the Alternative Rate Filing Form 1 (November 2013 version). The form needs to be amended to delete the reference to the date the water district plans to appear before the County Fiscal Court.
 - (b) Response: The Alternative Rate Filing Form 1 will be amended and Section 18 will be amended to reflect the July 2014 version.

IV. Summary of Action Taken by Promulgating Agency

The Public Service Commission reviewed the comments and, as a result, is amending the regulation as follows:

Page 2
Section 2(2)
Line 20

After “Maintained”, delete “adequate”.

Page 3
Section 3(2)
Line 5

After “(2)”, delete “The”.
Capitalize the first letter of “application”.

Page 3
Section 4(1)
Line 14

After “consist of”, insert “a”.

Line 15

After “(a)”, insert the following:
Completed Application for Rate Adjustment before the Public Service Commission.

Delete “A completed”.
After “ARF Form-1”, insert a comma.

Line 18

After “(b)”, delete “A”, capitalize the first letter of “copy”.

Line 20

After “(c)”, delete “A”, capitalize the first letter of “copy”.

Line 22

After “(d)”, delete “A”, capitalize the first letter of “depreciation”.

Page 4
Section 4(1)
Line 1

After “(e)”, delete “A”, capitalize the first letter of “copy”.

Line 3

After “(f)”, delete “A”, capitalize the first letter of “detailed”.

Line 5

After “(g)”, delete “A”, capitalize the first letter of “copy”.

Line 7

After “(h)”, insert the following:
Statement of Disclosure of Related Party Transactions.
Delete “A completed”.

After “ARF Form-3”, insert a comma.

Page 9
Section 8(3)
Line 13

After "(1) Except", insert "if",
Delete "when".

Page 15
Section 18
Line 4

After "Form 1," insert "July 2014",
Delete "November 2013".