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TO ALL JURISDICTIONAL WATER, SEWER AND GAS UTILITIES

Re: Revisions to 807 KAR 5:076

807 KAR 5:076 establishes a simplified and less expensive procedure for small utilities to apply to the Commission for rate adjustments. The Commission promulgated this regulation in April 1982 and revised it in January 1996. The Commission has recently reviewed and is considering several revisions. A draft of the revised regulation is attached. The purpose of the proposed revisions is to modernize the existing regulation to reflect current Commission practices and the effects of inflation and to reduce the regulatory costs to obtain a rate adjustment.

Prior to submitting any proposed revisions to the Legislative Research Commission, the Commission is seeking comments from interested stakeholders for comment. A public meeting will be held at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky on June 7, 2011, beginning at 11:00 a.m., to take comments on the proposed revisions and to make Commission Staff available to discuss the proposed revisions. Written comments regarding the proposed revisions may be mailed to Executive Director, Public Service Commission of Kentucky, Post Office Box 615, Frankfort, Kentucky or e-mailed to smallutilities@ky.gov.

Revisions to the existing regulation include:

- Eligibility requirements. The proposed regulation expands the class of utilities eligible to use the simplified procedures. The current regulation limits the use of alternative rate filing (ARF) procedures to utilities with 500 or fewer customers or \$300,000 or less in gross annual revenues. The proposed regulation would allow utilities with \$1.5 million or less in annual revenues to use the procedures. The proposal would increase the number of utilities eligible to use the ARF procedures from 109 utilities to 187. Eliminating the number of customer requirements would exclude Big Rivers Electric Corporation and East Kentucky Power Cooperative, which are currently eligible, from using ARF procedures.
- Record upon which the decision is based. The proposed amendments revise the regulation to specifically provide that, in the event a hearing is not held, the Commission may consider stipulations and

agreements between the parties and Commission Staff and comments and information that the parties provide in response to Commission Staff reports.

- Application. Proposed revisions specifically list the documents that must be included with a completed application form. They also reduce the number of copies that must be filed with the Commission and places the burden upon the applicant to redact certain sensitive information.

- Notice. Proposed revisions modify existing notice provisions of 807 KAR 5:076 to conform with 807 KAR 5:001 and 807 KAR 5:011. It amends publish notice to refer to the Commission's website and requires utility to post notice of any rate adjustment on its website, if it has such site.

- Effective Date of Proposed Rates. Proposed regulation would not allow applicants to place rates into effect subject to refund until 6 months after application is filed or the Commission orders the rates into effect, whichever occurs first. The utility would not need to file a tariff sheet with its application to charge the rates after 6 months have run. Proposed revision would eliminate the possibility of missed suspension date on the part of the Commission. The 6-month period is based upon 30 days notice to the Commission and a normal 5-month suspension period.

- Discovery. Proposed regulation authorizes intervenors to serve discovery requests upon applicant within 21 days of intervention. It eliminates the need for Commission to establish a procedural schedule or to specifically grant an intervenor the right to conduct discovery. The proposed regulation allows the Commission to establish a different schedule for discovery if it so desires.

- Commission Staff. Proposed regulation requires Commission Staff to file a report of its recommendations and findings regarding the proposed rates. It also establishes a time period for parties to submit comments and objections to the recommendations. It further provides that failure to object constitutes agreement with the finding or recommendation.

- Utility personnel participation in Commission proceedings. Proposed regulation addresses the level of non-attorney participation in the proceeding. It authorizes a non-attorney to submit the application and responses to Commission orders and information requests and to attend informal conferences. Proposed regulation further provides that the utility must be represented by an attorney at any hearing.

- Use of Electronic Filing Procedures. Proposed regulation establishes electronic filing procedures for ARF cases. These procedures are voluntary and may be invoke by applicant.

The Commission encourages all persons who currently are involved in rate proceedings that use alternative rate filing procedures or who are likely to participate in rate proceedings that use the revised ARF procedures to submit their comments and suggestions. It will carefully review all comments and suggestions and, to the fullest extent possible, incorporate them into the revised regulation. The proposed regulation will then be filed with the Legislative Research Commission to initiate the formal promulgation process.

I look forward to reading your all comments and to meeting with you at the public comment session. If you have any questions regarding the proposed revisions or the regulation process, please contact Gerald Wuetcher, Executive Advisor/Attorney, at (502) 564-3940, Extension 259.

Sincerely,



Jeff Derouen
Executive Director

Attachment