

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

RELATES TO: KRS Chapter 278

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

NECESSITY, FUNCTION, AND CONFORMITY: 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 administrative regulation prescribes the requirements under which a privately-owned water utility may implement a purchased water adjustment designed to recover the actual costs of water purchased.

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

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

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

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

(4) In the event of an increase only, the applicant shall notify its customers of the proposed rate increase. The notice may be accomplished by a bill insert or by publication once a week for three (3) consecutive weeks in a newspaper of general circulation. Such notice shall set out the rates proposed to be charged by the applicant to its customers and shall contain the following language: "The rates contained in this notice are the rates proposed by (name of utility). However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this notice."

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

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

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

(3) In instances where the water loss exceeds fifteen (15) percent and no reasonable percentage has been determined in its last rate case, the actual water sales shall be divided by eighty-five (85) percent yielding the maximum allowable water purchases. Where a reasonable percentage of unaccounted-for water loss was expressly determined in the applicant's last rate case, the actual water sales shall be divided by (100 percent minus the percentage found reasonable) yielding the maximum allowable water purchases. The maximum allowable water purchases shall then be multiplied by the supplier's base rate and the changed rate. The difference between these amounts will be the total allowable change in the applicant's purchased water costs. The total allowable change shall then be divided by the actual number of cubic feet or gallons sold, yielding the purchased water adjustment expressed in cents per cubic feet or gallons.

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

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

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

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

Section 5. Procedure for Decrease in Purchased Water Costs. In the event a water utility receives a decrease in the rates charged it by its supplier, the purchased water adjustment shall be determined by the same procedure as set out in Section 3 of this administrative regulation and the utility's rates to its customers reduced accordingly.

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

APPLICATION FOR RATE ADJUSTMENT BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY
For Purchased Water Adjustment
Pursuant to 807 KAR 5:067

Name of Utility:
Business Mailing Address:
Telephone Number: (Area Code, Number)

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

NAME:
TITLE:
ADDRESS:
TELEPHONE NUMBER: (Area Code, Number)
Signature:

I. Basic Information

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

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

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

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

2. What is the amount of the increase, decrease, or refund?
Total revenue change \$

Purchased water adjustment _____¢ per cubic foot or gallon as determined in Item 10(c).

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

Supplier	Base Rates	Changed Rates

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

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

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

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

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

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

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

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

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

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

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

(a) Where a reasonable unaccounted-for water loss was expressly determined in the utility's last general rate case and actual unaccounted-for water loss exceeds the percent found reasonable, the water sales shall be divided by (100 percent minus the percent found reasonable) yielding the maximum allowable gallons to be entered in Item 10(a) or (b).

(b) Where no reasonable unaccounted-for water loss was expressly determined in the utility's last general rate case and the actual water loss exceeds fifteen (15) percent, the water sales shall be divided by eighty-five (85) percent and the resulting gallons entered in Item 10(a) or (b).

(c) Where no reasonable water loss was expressly determined in the utility's last general rate case and the actual unaccounted for water loss is less than fifteen (15) percent, the actual gallons of water purchased shall be entered in Item 10(a) or (b).

10. Allowable change in purchased water costs.

(a) Where supplier bills on a flat rate schedule

$$\frac{\text{_____}}{\text{Allowable gallons}} \times \text{_____} = \$ \frac{\text{_____}}{\text{cost at changed rate}}$$

minus

$$\frac{\text{_____}}{\text{Allowable gallons}} \times \text{_____} = \$ \frac{\text{_____}}{\text{cost at base rate}}$$

(b) Where supplier bills on a declining block rate schedule*

Changed 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 \$ _____			

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: \$ _____			

*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.

(c) Purchased water adjustment.

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

Allowable Change Gallons Sold

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. Refund. In the event a refund is received from the supplier for amounts previously paid, the following tabulations will be made:

(a) Total refund received: \$ _____

(b) Total amount of water estimated to be sold during 2-month period beginning with the first day of the month following receipt of the refund: _____ M. Gal.

(c) Refund factor unit of water sold (Item (a) divided by Item (b)): _____ ¢

(d) The refund factor may be adjusted in the final month to more accurately reflect the amount to be refunded.

12. Form for filing Rate Schedules:

For: (Community, Town or City)

P.S.C. No.:

_____ SHEET NO. _____

_____ CANCELLING P.S.C. NO. _____

Name of Issuing Corp.

_____ SHEET NO. _____

CLASSIFICATION OF SERVICE

RATE PER UNIT

DATE OF ISSUE _____ DATE EFFECTIVE _____

ISSUED BY (Name of Officer):

TITLE:

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. _____ dated _____.

(7 Ky.R. 793; eff. 9-2-81; Am. 1895; eff. 7-2-86.)