

1 ENERGY AND ENVIRONMENT CABINET

2 Public Service Commission

3 (Amendment)

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

5 RELATES TO: KRS Chapter 278.

6 STATUTORY AUTHORITY: KRS 278.030; KRS 278.040; KRS 278.160; KRS 278.180;

7 KRS 278.185; KRS 278.190; KRS 278.310; KRS 278.380.

8 NECESSITY, FUNCTION AND CONFORMITY: This administrative regulation
9 provides a simplified and less expensive procedure for ~~[by which]~~ small utilities to ~~[may]~~
10 apply to the commission for rate adjustments ~~[increases]~~. A small utility may apply for
11 rate adjustments using the formal procedure outlined in 807 KAR 5:001, Section 10
12 ~~[Chapter 5]~~ or by using the procedure prescribed in this administrative regulation which
13 is intended to minimize the need for formal hearings, to reduce filing requirements, and
14 ~~in many cases to~~ shorten the time period between application and commission order.

15 Section 1. Utilities Permitted to File Application. Any utility with ~~[500 or fewer]~~
16 ~~customers or~~ \$5,000,000 ~~[\$300,000]~~ or less gross annual revenue in the immediate
17 past calendar year may apply for an adjustment of rates using the procedure in this
18 administrative regulation ~~[described below]~~. The applicant shall have maintained
19 adequate financial records fully separated from any commonly-owned enterprise and

1 shall have on file with the commission fully completed annual reports for the immediate
2 past year and for the two (2) prior years if the applicant has been in existence that long.

3 Section 2. The Record upon which Decision Shall ~~[Will]~~ Be Made. Unless a
4 hearing is held the commission shall make its decision based on the:

5 (1) ~~[(a)]~~ Annual reports of the applicant for the immediate past year and for
6 the two (2) prior years, if the applicant has been in existence that long;

7 (2) ~~[(b)]~~ Application;

8 (3) ~~[(c)]~~ Information supplied by the applicant in response to requests for
9 information submitted by other parties to the proceeding or ~~[the intervenors and]~~ the
10 commission; ~~[and]~~

11 (4) ~~[(d)]~~ Written reports submitted by commission staff; ~~[subsequent to field~~
12 ~~review, if one (1) is conducted]~~

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

15 (6) Written comments and information that the parties to the proceeding
16 submitted in response to the findings and recommendations contained in any written
17 report that commission staff submitted.

18 Section 3. Application. (1) An application for alternative rate adjustment shall
19 consist of:

20 (a) A completed alternative rate adjustment application form that is made
21 under oath and signed by the applicant or an officer who is duly designated by the
22 applicant and who has knowledge of the matters set forth in the application;

1 (b) A copy of all outstanding evidences of indebtedness, such as mortgage
2 agreements, promissory notes, and bond resolutions;

3 (c) A copy of the amortization schedule for each outstanding bond issuance,
4 promissory note, and debt instrument;

5 (d) A depreciation schedule of utility plant in service;

6 (e) A copy of the most recent state and federal tax returns of the applicant, if
7 applicant is required to file returns;

8 (f) An analysis of customers' bills in such detail that revenues from the
9 present and proposed rates can be readily determined for each customer class;

10 (g) A copy of the notice of the proposed rate change that is provided to
11 customers of the applicant; and,

12 (h) If the applicant is a corporation or a limited liability company, a certified
13 copy of its articles of incorporation and all amendments thereto, or a written statement
14 attesting that its articles and all amendments thereto have been filed with the
15 commission in a prior proceeding and referencing the style and case number of the prior
16 proceeding.

17 (2) Unless electronic filing procedures are used, the applicant shall submit
18 one (1) original and five (5) paper copies of its application to the executive director of
19 the commission.

20 (3) When submitting its application to the commission, the applicant shall also
21 deliver or mail one (1) paper copy to the Office of Rate Intervention, Office of the
22 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 rintervention@ag.ky.gov.

3 (4)(a) If the application contains certain personal data, including an individual's
4 social security number, taxpayer identification number, birth date, or a financial account
5 number, the applicant shall redact the document so the following information cannot be
6 read:

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

10 (b) Redaction may be made by any method, including but not limited to
11 replacing the identifiers with neutral placeholders or covering the identifiers with an
12 indelible mark, that so obscures the identifiers that they cannot be read.

13 (5) The application shall not contain any request for relief from the
14 commission other than an adjustment of rates.

15 (6) An applicant may make written request to the executive director for
16 commission staff assistance in preparing the application. The applicant shall obtain
17 from the Executive Director of the Public Service Commission, 211 Sower Boulevard,
18 Frankfort, Kentucky 40601, the alternative rate adjustment application form. The
19 applicant shall complete the form, attach any documents requested and a copy of the
20 notice of the proposed rate change that it provided to its customers, and submit one (1)
21 original and ten (10) copies to the executive director of the commission and one (1)
22 copy to the Public Service Litigation Branch, Office of the Attorney General, P.O. Box
23 2000, Frankfort, Kentucky 40602-2000, together with one (1) copy of each of the three

1 ~~(3) annual reports. An applicant may, in writing, request commission assistance in~~
2 ~~preparing the application.]~~

3 Section 4. Notice to Customers of Proposed Rate Changes.

4 (1) If the applicant has twenty (20) or fewer customers or is a sewer utility, it
5 shall mail written notice of the proposed rate changes ~~[and the estimated amount of~~
6 ~~increase per customer class]~~ to each customer no later than the date on which the
7 application is filed with the commission. In addition, the applicant shall post at its place
8 of business no later than the filed date of the application a sheet containing the
9 information provided in the written notice to its customers and shall keep this notice
10 posted until the commission has issued a final decision on the application.

11 (2) An ~~[Except for sewer utilities, which must give notice pursuant to KRS~~
12 ~~278.185, an]~~ applicant that has ~~[with]~~ more than twenty (20) customers and is not a
13 sewer utility shall post at its place of business a sheet containing the information
14 provided in the notice to its customers ~~[post a sheet stating the proposed rates and the~~
15 ~~estimated amount of increase per customer class at its place of business;]~~ and shall:

16 (a) Include notice with customer bills mailed by the date the application is
17 filed; or

18 ~~[(b) Publish notice in a trade publication or newsletter that will be received by~~
19 ~~all customers by the date the application is filed; or]~~

20 (b) ~~[(c)]~~ Publish notice once a week for three (3) consecutive weeks in a
21 prominent manner in a newspaper of general circulation in its service area, the first
22 publication to be made by the date the application is filed.

23 (3) Each notice shall contain the following information:

1 (a) The amount of the change requested in both dollar amounts and
2 percentage change for each customer classification to which the proposed rate change
3 will apply;

4 (b) The present rates and the proposed rates for each customer class to which
5 the proposed rates will apply;

6 (c) The effect upon the average bill for each customer class to which the
7 proposed rate change will apply;

8 (d) A statement that the rates contained in this notice are the rates proposed by
9 (name of utility) but that, the Public Service Commission may order rates to be charged
10 that differ from the proposed rates contained in this notice;

11 (e) A statement that any corporation, association, or person with a substantial
12 interest in the matter may, by written request, within thirty (30) days after publication or
13 mailing of this notice of the proposed rate changes request to intervene; intervention may
14 be granted beyond the thirty (30) day period;

15 (f) A statement that copies of the application may be obtained at no charge
16 from (the name of the utility) at (the utility's address) and that the application and all
17 documents filed with the Public Service Commission may be viewed and downloaded at
18 the Public Service Commission's Web site - <http://psc.ky.gov/> [language:—The rates
19 contained in this notice are the rates proposed by (name of utility). However, the Public
20 Service Commission may order rates to be charged that are higher or lower than the
21 rates proposed in this notice. Any corporation, association, body politic or person may
22 request leave to intervene by motion within thirty (30) days after notice of the proposed
23 rate changes is given. A motion to intervene shall be in writing, shall be submitted to

1 ~~the Executive Director, Public Service Commission, 211 Sower Boulevard, P.O. Box~~
2 ~~615, Frankfort, Kentucky, 40602, and shall set forth the grounds for the motion,~~
3 ~~including the status and interest of the party movant. Copies of the application may be~~
4 ~~obtained at no charge from (the applicant) at (the applicant's address). Upon request~~
5 ~~from an intervenor, the applicant shall furnish to the intervenor a copy of the application~~
6 ~~and supporting documents."].~~

7 (4) Proof of notice. An applicant shall file with the commission no later than
8 forty-five (45) days from the filed date of the application:

9 (a) If its notice is published, an affidavit from the publisher verifying the notice
10 was published, including the dates of the publication with an attached copy of the
11 published notice;

12 (b) If the notice is mailed, a written statement signed by the utility's chief
13 executive officer verifying the notice was mailed.

14 (5) If an applicant maintains a Web site, the applicant shall post on its website
15 within seven (7) days of the filed date of the application a notice containing the
16 information provided in the written notice to its customers and a link to a copy of its
17 application posted on the commission's Web site and shall keep both posted until the
18 commission has finally determined the utility's rates.

19 Section 5. Except as provided in Section 11 of this administrative regulation, no
20 applicant shall be required to provide the commission with advance notice of its intent to
21 file an application for rate adjustment using the procedure set forth in this administrative
22 regulation.

1 Section 6. Effective Date of Proposed Rates. No applicant may place its
2 proposed rates into effect until the commission has issued an order approving those
3 rates or six (6) months from the date of filing of its application, whichever occurs first. If
4 the commission has not issued its order within six (6) months from the date of filing of
5 the application, the applicant may place its proposed rates in effect subject to refund
6 upon providing the commission with written notice of its intent to place the rates into
7 effect. The applicant shall maintain its records in a manner to enable it, or the
8 commission, to determine the amounts to be refunded and to whom is due a refund if
9 the commission orders a refund. [~~Motion for Formal Hearing. Within ninety (90) days~~
10 ~~after the application has been filed, any party may file a written request for a formal~~
11 ~~hearing setting forth grounds therefore].~~

12 Section 7. Test Period. The reasonableness of the proposed rates shall be
13 determined using a twelve (12) month historical test period, adjusted for known and
14 measureable changes, that coincides with the reporting period of the applicant's most
15 recent annual report on file with the commission.

16 Section 8. Discovery. Unless the commission otherwise directs, a party may
17 serve written requests for information upon the applicant within twenty-one (21) days of
18 an order permitting that party to intervene in the proceeding. At the time of serving its
19 request upon the applicant, the party shall also file a copy of its request with the
20 commission and serve a copy upon all other parties. Within twenty-one (21) days of
21 service of timely requests for information from a party, the applicant shall serve its
22 written responses upon each party and shall file with the commission one (1) original

1 and five (5) copies. Nothing in this section shall preclude the commission from
2 establishing different arrangements for discovery.

3 Section 9. Commission Staff Report. Unless the commission directs otherwise,

4 (1) Commission staff shall prepare and file with the commission and serve a
5 copy on all parties of record a report on the application that contains its findings and
6 recommendations regarding the proposed rates.

7 (2) Each party shall file with the commission a written response to the report
8 within fourteen (14) days of the filing of the report. This written response shall contain
9 all objections to and other comments on the findings and recommendations of
10 commission staff, any request for hearing or informal conference, and the reasons why
11 a hearing or informal conference is necessary. If a party fails to file a written response
12 with the commission within this time period, it shall be deemed to have waived any
13 objections to the findings and recommendations contained in the report and any right to
14 a hearing on the application.

15 Section 10 [6]. Notice of Hearing. If the commission orders a hearing, the
16 applicant shall publish in a newspaper or mail to its customers notice of the hearing give
17 notice as required by KRS 424.300. The notice shall state the purpose, time, place, and
18 date of the hearing. Newspaper notice shall be published once in a newspaper of
19 general circulation in the applicant's service area no fewer than seven (7) and no more
20 than twenty-one (21) days prior to the hearing. [The notice shall state the purpose,
21 time, place, and date of the hearing.]

22 Section 11. Utility Personnel Participation in Commission Proceedings.

1 (1) An authorized official or employee of the applicant who is not licensed to
2 practice law in Kentucky may on behalf of an applicant that is a corporation, partnership,
3 or limited liability company file the application, responses to commission orders and
4 requests for information, as well as appear at conferences related to the application.

5 (2) Any applicant that is a corporation, partnership, or limited liability company
6 shall at any hearing conducted on the application be represented by an attorney who is
7 authorized to practice law in Kentucky.

8 Section 12. Use of Electronic Filing Procedures in lieu of Submission of Paper
9 Documents. An applicant may elect to use electronic filing procedures in lieu of
10 submission of paper documents to the commission. At least seven (7) days prior to the
11 submission of its application, an applicant shall file with the commission written notice of
12 its election and, if it does not have an account for electronic filing with the Commission,
13 register for an account at <http://psc.ky.gov/Account/Register>. Upon electing the use of
14 electronic filing procedures, the following procedures shall be followed in the
15 commission proceeding on the application unless the commission orders otherwise:

16 (1) All pleadings, documents, and exhibits shall be filed with the commission
17 by uploading an electronic version of the document using the commission's E-Filing
18 System at <http://psc.ky.gov>. In addition, the filing party shall file one (1) original and one
19 (1) paper copy with the commission.

20 (2) Each file in an electronic submission shall be:

21 (a) in portable document format;

22 (b) search-capable;

23 (c) optimized for viewing over the Internet;

1 (d) where appropriate, bookmarked to distinguish sections of the pleading or
2 document; and,

3 (e) if a scanned document, scanned at a resolution of 300 dots per inch.

4 (3) All electronic submissions shall include an introductory file in portable
5 document format that is named "Read1st" and that contains a general description of the
6 filing, a list of all materials not included in the electronic filing, and a statement attesting
7 that the electronically filed documents are a true representation of the original
8 documents. The "Read1st" file and any other document that normally contains a
9 signature shall contain a signature in the electronically submitted document. The
10 electronic version of the cover letter accompanying the paper filing may be substituted
11 for a general description. If the electronic submission does not include all documents
12 contained in the paper version (e.g., confidential materials, materials that are too large
13 or bulky to transfer by electronic medium), the absence of these documents shall be
14 noted in the "Read1st" document.

15 (4) An electronic transmission or uploading session shall not exceed twenty
16 (20) files. An individual file shall not exceed fifty (50) megabytes. If a filing party's
17 submission exceeds these limitations, the filer shall make its electronic submission in
18 two (2) or more consecutive electronic transmission or uploading sessions.

19 (5) When filing any document with the commission, the filing party shall certify
20 that:

21 (a) The electronic version of the filing is a true and accurate copy of the
22 document(s) filed in paper medium;

1 (b) The electronic version of the filing has been transmitted to the
2 commission; and

3 (c) A copy of the filing in paper medium has been mailed to all parties that the
4 commission has excused from participation by electronic means.

5 (6) Upon completion of a party's uploading of an electronic submission, the
6 commission shall cause an electronic mail message to be sent to all parties of record
7 advising that an electronic submission has been made to the commission. Upon a
8 party's receipt of this message, it shall be the receiving party's responsibility to access
9 the commission's electronic file depository at <http://psc.ky.gov> and view or download a
10 copy of the submission.

11 (7) Unless it states its objection to the use of electronic filing procedures in its
12 motion for intervention, a party granted leave to intervene shall be deemed to have
13 consented to the use of electronic filing procedures and the service of all documents
14 and pleadings, including orders of the commission, by electronic means and shall file
15 with the commission within seven (7) days of the date of an order of the commission
16 granting its intervention a written statement that it waives any right to service of
17 commission orders by United States mail and that it, or its authorized agent, possesses
18 the facilities to receive electronic transmissions.

19 (8) If a party objects to the use of electronic filing procedures and the
20 commission determines that good cause exists to excuse that party from the use of
21 electronic filing procedures, service of documents on that party and by that party shall
22 be made in accordance with 807 KAR 5:001.

1 (9) A document shall be considered timely filed with the commission if it has
2 been successfully transmitted in electronic medium to the commission within the time
3 allowed for filing. The original document, in paper medium, shall be filed at the
4 commission's offices no later than the second business day following the electronic
5 filing. Parties shall attach to the top of such submission a paper copy of the electronic
6 mail message from the commission confirming transmission and receipt of its electronic
7 submission.

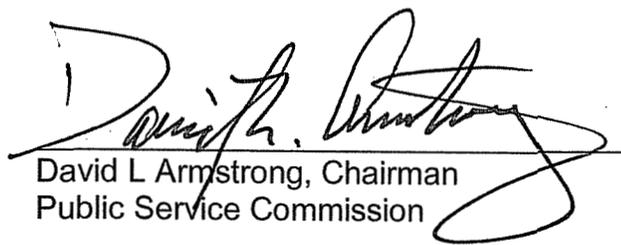
8 Section 13. The provisions of 807 KAR 5:001 that do not conflict with the
9 provisions of this administrative regulation shall apply to commission proceedings
10 involving applications filed pursuant to this administrative regulation.

11 Section 14 [7]. Upon a showing of good cause, the commission may permit
12 deviations from this administrative regulation.

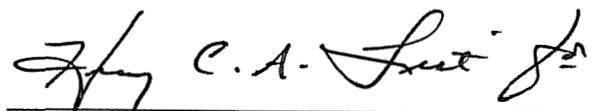
13 Section 15. Incorporation by Reference.

14 (1) "Application For Rate Adjustment Before The Public Service Commission
15 For Small Utilities Pursuant to 807 KAR 5:076," June 15, 2011, is incorporated by
16 reference.

17 (2) This material may be inspected, copied, or obtained, subject to applicable
18 copyright law at the commission's offices at 211 Sower Boulevard, Frankfort, Kentucky
19 40601, 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/>.


David L. Armstrong, Chairman
Public Service Commission

DATE: 6/14/11



Leonard K. Peters, Secretary
Energy and Environment Cabinet

DATE: 6/13/11

Henry C.A. List, Deputy Secretary

PUBLIC HEARING: A public hearing on this administrative regulation shall be held on July 25, 2011, at 9:30 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 July 18, 2011, 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.

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) 564-7279

REGULATORY IMPACT ANALYSIS

Administrative Regulation #: 807 KAR 5:076

Contact Person: Gerald E. Wuetcher, Executive Advisor

(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. It provides a structural framework for using electronic filing procedures for small utility rate cases.

(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 will expand eligibility to use simplified filing procedures from 107 utilities to 240 utilities. Eligibility requirements, which have been unchanged for more than 15 years, have been revised to reflect the effects of inflation. Elimination

of the eligibility provisions related to the number of customers will prevent two electric cooperatives, each of which has annual revenues in excess of \$340,000,000, from using the simplified filing procedures. The amendment clarifies the record upon which the Public Service Commission should base its decision. It specifies actions that applicants should take to protect sensitive personal information that may be contained in such applications. It amends the notice requirements for rate adjustments to conform to the notice requirements in 807 KAR 5:001 and 807 KAR 5:011. It clarifies when a small utility using alternative rate filing procedures may place its proposed rates into effect if the commission fails to make a timely decision. It provides a formal framework for the use of electronic filing procedures and establishes a schedule for discovery and responses to commission staff reports. The regulation eliminates the need for an applicant to include within its application, copies of its annual reports, which are currently on file with the Public Service Commission, and reduces the number of copies of the application that must be filed.

(b) The necessity of the amendment to this administrative regulation: Eligibility requirements for alternative rate filing procedures had not been adjusted for the effects of inflation for 15 years. Current Public Service Commission regulations make no provision for the use of electronic procedures. Provisions in the proposed amendment that are related to discovery and to the record upon which the Commission will base its decision are not addressed in existing regulation and will incorporate Public Service Commission practices developed since the regulation's last amendment in 1996.

(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. The proposed amendment eliminates inefficiencies in the rate adjustment process and reduces transactional costs for small utilities that are less able to afford large rate case expenses and that have less expertise in the ratemaking process than larger utilities.

(d) How the amendment will assist in the effective administration of the statutes: Amendment expands the eligibility of alternative rate filing procedures and will allow 133 additional utilities to take advantage of simplified and less costly review procedures. It implements new measures for the protection of sensitive personal information contained in applications, reduces the documents that must be filed with the Public Service Commission and served upon other parties, and allows for the use of electronic filing and notification procedures that are expected to decrease the time and expense necessary to adjudicate rate adjustment applications.

(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 240 water, natural gas, and sewer utilities whose annual gross revenues are \$5 million or less and their customers. The proposed amendment will remove two (2) electric utilities, whose gross annual revenues exceed \$340,000,000, from eligibility for alternative rate filing procedures. Neither electric utility has used alternative rate filing procedures to adjust its rates.

(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: No action is necessary. This amendment enlarges eligibility for alternative rate filing procedures. The use of alternative rate filing procedures is entirely voluntarily. The affected utilities may continue to use the rate filing procedures set forth in 807 KAR 5:001 in lieu of the alternative rate filing procedures.

(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. The affected utilities may continue to use the rate filing procedures set forth in 807 KAR 5:001 in lieu of the alternative rate filing procedures. Because the amendment will reduce the number of documents that must be filed and allows for the use of electronic transmission of documents in lieu of service of paper documents, the amendment should reduce the cost of filing an application for rate adjustment.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The proposed Amendment will reduce the time necessary for review of rate case applications and the cost of rate case proceedings and thus lessen or reduce rate adjustments. It should enhance public awareness of utility rate adjustment applications made by small utilities. It provides greater certainty and stability in the ratemaking process that the Public Service Commission uses for small utilities. The proposed amendment generally reflects ad hoc practices with which the Public Service Commission has employed over several years and which it found improved and shortened the review process.

(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. No new fees or funding 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? 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 No.: 807 KAR 5:076

Contact Person: Gerald Wuetcher
(502) 564-3940 x259
gerald.wuetcher@ky.gov

1. Does this administrative regulation relate to any program, service, or requirements of a state or local government (including cities, counties, fire departments, or school districts)? **Yes**

2. 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); water districts**

3. 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.

4. 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. While the proposed amendment may allow for water districts to more easily obtain rate adjustments, water districts would have been able to obtain same level of rate adjustment if the proposed amendment is not enacted.**

(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. While the proposed amendment may allow for water districts to more easily obtain rate adjustments, water districts would have been able to obtain same level of rate adjustment if the proposed amendment is not enacted.**

(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. Water districts that are currently ineligible to use the procedures in 807 KAR 5:076 but that will be eligible if the proposed amendment is adopted will experience lower rate case expenses when filing for rate adjustments as they will file fewer documents with their application and may be able to avoid the need to retain rate case consultants and other professionals to prepare and support their 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 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. Water districts that are currently ineligible to use the procedures in 807 KAR 5:076 but that will be eligible if the proposed amendment is adopted will experience lower rate case expenses when filing for rate adjustments as they will file fewer documents with their application and may be able to avoid the need to retain rate case consultants and other professionals to prepare and support their 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: