



Steven L. Beshear  
Governor

Leonard K. Peters, Secretary  
Energy and Environment  
Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Linda K. Breathitt  
Commissioner

## NEWS RELEASE

Contact:  
Andrew Melnykovich  
502-782-2564 or 502-564-3940  
502-330-5981 (cell)  
Andrew.Melnykovich@ky.gov

### **PSC Reduces Rate Adjustment for Water Service Corp.** *Utility receives one-third of increase it sought for Bell and Hickman customers*

**FRANKFORT, Ky. (July 24, 2014)** – The Kentucky Public Service Commission (PSC) today granted Water Service Corp. of Kentucky a rate adjustment that is substantially less than the amount requested by the utility.

Water Service will be allowed to increase annual revenue from its Kentucky operations by \$84,719 (about 4 percent). The company had sought an increase of \$233,411 (11.1 percent). The PSC cut the requested amount by nearly two-thirds.

Water Service has about 5,900 customers in Middlesboro in Bell County and about 600 in the Clinton area of Hickman County. The vast majority are residential customers.

For Water Service customers in Middlesboro, the monthly residential bill for 5,000 gallons will increase by \$0.96 (also 4 percent), from \$23.90 to \$24.86. In the Clinton service area, the monthly residential water bill for a customer using 5,000 gallons will increase by \$1.56 (4 percent), from \$39.15 to \$40.71. The new rates take effect today.

The formal evidentiary hearing in the case was conducted in Frankfort on April 9.

Water Service's proposal would have increased rates by nearly 11 percent - \$2.54 in Middlesboro and \$4.26 in Clinton for a residential customer using 5,000 gallons per month. The sewer rates in Clinton, where the sewer system is operated by Water Service under a contract with the city, are not part of the rate case. However, they are tied to the water rate and also will rise by about 4 percent.

Water Service was last granted a rate increase in November 2011, with rates going up about 3 percent at that time. The company had asked for a 22 percent increase.

In the application it filed in September in the current case, Water Service said that the further increase is needed in large part to pay for administrative functions provided by its parent company, including recordkeeping, customer service and billing for the Kentucky operations.

**-more-**

## **PSC Reduces Rate Adjustment for Water Service Corp. – Page 2**

The PSC arrived at the smaller increase by disallowing a portion of the administrative costs, changing the accounting treatment of uncollectible bills and making several other adjustments to arrive at the lower increase.

In today's order, the PSC explained that Water Service has yet to produce evidence showing that its customers in Kentucky have benefitted from the parent company's projects to upgrade accounting and financial systems. Therefore, the PSC said it sees no reason to change its position, expressed in the utility's previous two rate cases, that Kentucky customers should not bear the costs of the projects.

The PSC also found that the parent company costs charged to Water Service, rather than being automatically allocated through the company's accounting systems, should be invoiced separately in order to permit easier review in future rate cases.

Finally, the PSC noted that Water Service had failed to comply with a provision in an August 2012 order that directed it to hold annual meetings with customers in each of its Kentucky service areas. That failure will be the subject of a separate proceeding, the PSC said.

Other parties to the case included the Kentucky Office of Attorney General, Hickman County Fiscal Court and the city of Clinton.

Today's order, the case file and videos of the public meetings and evidentiary hearing are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2013-00237.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 85 employees.