

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

BOONESBORO WATER ASSOCIATION,)
INC., (1) FOR APPROVAL OF THE)
INCREASED RATES PROPOSED TO BE)
CHARGED BY THE ASSOCIATION TO) CASE NO. 9312
THE CUSTOMERS OF THE ASSOCIATION;))
(2) APPROVAL OF THE RULES AND)
REGULATIONS.)

O R D E R

On March 28, 1985, Boonesboro Water Association, Inc., ("Boonesboro") filed an application with the Commission seeking approval of an increase in rates for both its water utility and sewer utility service and for approval of its proposed rules and regulations. On December 9, 1985, after appropriate hearing and investigation, the Commission entered its Order establishing rates to be charged by Boonesboro and addressing limited portions of its proposed rules and regulations. However, because of the complexity of setting out the details of necessary revisions to the rules and regulations and the reasons therefor, the Commission determined that those issues should be dealt with by separate Order so as to avoid further delay in providing needed rate relief. Boonesboro's proposed rules and regulations are addressed herein.

Item 3, Sheet 3, of the proposed tariff provides that sewer service will be provided to additional customers so long as capacity of the plant is not exceeded. 807 KAR 5:071,

Section 7(3) provides that a sewage plant shall be of sufficient capacity to meet all normal demands for service and provide a reasonable reserve for emergencies. Boonesboro may not by tariff provide for denial of normal demand for service within its service area, but rather has a responsibility to be aware of and take necessary steps to assure that the obligations imposed by the regulation are met.

Item 17, Sheet 5, provides for a \$50 fee to be charged where a meter is tested as a result of a customer complaint and found to be within the limits of accuracy specified by the Commission's regulations. This amount was approved by the Commission's previous Order in this case. However, in addition, Item 17 provides that if the meter accuracy is found to be outside the regulatory limits, the customer's bill will be adjusted for the previous 12 months. If overcharging, the fee is to be refunded and, if undercharging, the fee is to be credited to the customer's account.

807 KAR 5:066, Section 17, requires periodic tests of all water meters. 807 KAR 5:006, Section 9, provides that if the meter is found to be more than 2 percent fast or slow and the period of time the meter has been in error is unknown, the customer's bill may be adjusted for 1/2 of the elapsed time since the last periodic test but may not exceed a 12-month period. However, if the meter is found to register fast and the time for the required periodic test has passed, the adjustment to the customer's bill must be for a 12-month period plus the time exceeding the periodic test unless the Commission has granted

relief from this requirement. Further, Section 19 of this regulation, which allows the meter test fee, makes no provision for charging this fee in advance, but rather provides that if the meter tests show that the meter is not more than 2 percent fast, the charge may then be made if it has been approved by the Commission and set out in the tariff. There is no provision for charging this fee if the meter is found to register more than 2 percent slow.

Item 19, Sheet 6, provides that if a meter fails to register water consumption for any reason, the customer would be billed either in accordance with that customer's average usage or the average usage of the prior resident at that location for the previous 12 months, or the average usage for similar premises nearby.

807 KAR 5:066, Section 16, and 807 KAR 5:006, Section 9(5), (6), and (7), clearly place the responsibility for meter accuracy with the utility, and all meters are to be tested before being placed in service. The latter regulation also provides in Subsection (6) that the utility shall monitor customer usage so as to note any unusual deviation in customer usage. The Commission is of the opinion that, if the utility is carrying out these responsibilities, there should be few, if any, instances where a meter should fail to register prior to the time an individual customer establishes a usage record on which an adjustment can be based. Further, water usage may fluctuate substantially, dependent upon number, age, and living patterns of the occupants in a household. Therefore, the Commission is of the opinion that

this tariff item should be amended to provide that, where a meter fails to register, adjustments will be based on that customer's past usage where possible, but in the event it is necessary for such adjustments to be based on the average of a prior resident or similar premises and subsequent usage of the customer shows the estimate to be inaccurate, appropriate adjustments will be made based on that customer's usage.

Item 20, Sheet 6, of the tariff provides that where a water distribution line is broken by a customer, his employee or agent, or any contractor at the direction of the customer, the cost of repairing or replacing the line shall be borne by the customer.

In any situation where liability is imposed, the negligence or wrongful act, the extent of the damages, and the responsibility therefor must be clearly established. This may not be done by tariff provision, but must be determined by a court of law having jurisdiction over the parties. As presently written, this provision might easily be misunderstood to allow the utility to determine fault and to collect whatever damages the utility indicates.

This provision should either be deleted, which would in no way limit the utility's remedies under the law, or wording added that any such payments will be "as determined by a court of law having jurisdiction over the parties."

Item 22, Sheet 6, of the proposed tariff provides that a customer desiring temporary service shall pay in advance the estimated cost of installing and removing service and the cost of water estimated to be used.

807 KAR 5:066, Section 14(3)(a), provides that the utility may charge the actual cost of installing and removing the service lines and metering devices for temporary service. Subsection (1)(a) of this Section allows unmetered service and establishment of a flat rate where water usage can be readily determined. Such flat rate must, of course, be approved by the Commission prior to being placed into effect. However, in neither instance is any provision made for charging in advance for water estimated to be used over the period of temporary service. Billing for water usage for temporary service should, therefore, be done in accordance with Boonesboro's standard billing procedure.

Item 23, Sheets 6-10, of the proposed tariff is not in compliance with 807 KAR 5:067, Purchased Water Adjustment Clause.

In the event of either an increase or decrease in purchased water costs, the filing requirements are the same with the exception that proof of notice to customers is not required where a decrease occurs. In its proposal Boonesboro has omitted some of the filing requirements in the paragraph dealing with decreases in the wholesale rate.

Item 23(A), Sheet 7, provides for a statement "relative" to the effective date of the increase. This statement must be from the wholesale supplier.

Items 23(A), (B), and (C), Sheet 7, specify that the statements of water purchased and sold and the balance sheet and statement of revenues and expenses shall be for "the previous twelve months." Although "the previous twelve months" would fall within the time period prescribed by the regulation, the

Commission is of the opinion that this places severe limitations on Boonesboro and should be changed to allow statements of purchases and sales for a 12-month period ending within 90 days of the date of filing to provide more flexibility for Boonesboro. Further, the Commission is of the opinion Item 23(D) should be changed to allow the balance sheet and statement of revenues and expenses to cover the most recent 12-month period for which that information is available so as to permit use of the most recent annual report where possible. Other references to the "preceding 12 months" should be revised accordingly.

Revised tariff sheets reflecting the rates proposed to be charged by the utility are required to be filed, but have been omitted from the filing requirement section of the rules.

Item 23(B), Sheet 8, of the proposed tariff sets out the method for determining the amount of the purchased water adjustment. 807 KAR 5:067, Section 2(3) specifically provides that where water loss exceeds 15 percent, the actual water sales shall be divided by 85 percent yielding the maximum allowable purchases to be used in calculating the increase in purchased water costs. Boonesboro proposal does not conform with the prescribed method of calculation.

Item 23(1), Sheet 9, of the proposed tariff provides that the number of cubic feet or gallons estimated to be sold during the 4-month period after receipt of the refund will be used in determining the refund factor to be applied in the event of a refund from its supplier. 807 KAR 5:067, Section 3(1), specifically provides that the number of cubic feet or gallons

estimated to be sold during a 2-month period following receipt of the refund is to be used. This should be revised to reflect the correct time period. Further, a sentence should be added indicating that full distribution of the refund will be made within 2 months as required by Subsection (2) of this Section.

807 KAR 5:011, Section 1, requires that utilities furnishing more than one kind of service must file a separate tariff for each service. Boonesboro provides both water and sewer service and must, therefore, file a separate tariff for each service.

The Commission, having reviewed the evidence of record and being advised, is of the opinion and finds that:

1. The rules and regulations filed by Boonesboro are not in compliance with the Commission's administrative regulations and should be denied.

2. Boonesboro should file separate tariffs for its water and sewer services setting out the rates, rules and regulations governing each service.

3. Boonesboro should revise its rules and regulations in accordance with the findings and orders in the Commission's Order issued December 9, 1985, and the findings set forth in detail herein.

IT IS THEREFORE ORDERED that:

1. The rules and regulations filed by Boonesboro be and they hereby are denied.

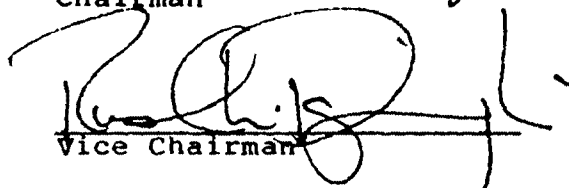
2. Boonesboro shall file separate tariffs for its water and sewer service.

3. Within 30 days of the date of this Order, Boonesboro shall file its revised tariff sheets in accordance with the findings herein and the Commission's Order of December 9, 1985.

Done at Frankfort, Kentucky, this 23rd day of December, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary