

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PASSTHROUGH OF WATER SUPPLIER)	
REFUND TO THE CUSTOMERS OF)	CASE NO. 2006-00474
CHRISTIAN COUNTY WATER DISTRICT)	

ORDER

By this Order, the Commission sua sponte directs Christian County Water District (“Christian District”) to refund \$192,533, which it received from its water supplier as a result of inaccurate billings, to its customers over a 2-month period.

Christian District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water to approximately 5,034 customers in Christian County, Kentucky.¹ It purchases its entire water supply from Hopkinsville Water Environment Authority (“HWEA”).

In 2004 Christian District discovered that one of the master meters through which HWEA provides water was over registering water usage. According to the meter’s manufacturer, an incorrect measuring chamber had been installed in this meter. Christian District estimated that the installation of the incorrect measuring chamber caused the meter to measure water at 156 percent of its designed capacity. It further estimated that the incorrect measurement had occurred over a period of 9 years. After Christian District informed HWEA of this discovery, HWEA conducted its own investigation and confirmed that the meter in question was not registering properly.

¹ Annual Report of Christian County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2005 at 27.

After negotiations, Christian District agreed to accept a payment of \$192,533.70 in 12 equal monthly installments. HWEA began these payments in January 2005. Christian District has placed these payments in its Depreciation Contingency Account.

Christian District has previously used KRS 278.012 and Administrative Regulation 807 KAR 5:068 to adjust expeditiously its rates to reflect increases in the rates of its wholesale water suppliers.² Administrative Regulation 807 KAR 5:068, Section 2(4),³ requires a water district that “receives a refund from its supplier for amounts previously paid . . . [to] immediately apply to the commission for authority to make adjustments on the amounts charged customer’s bills” under the purchased water

² See, e.g., Case No. 2004-00024, Application of Christian County Water District for a Purchased Water Adjustment (Ky. P.S.C. Feb. 19, 2004); Case No. 1993-00215, Application of Christian County Water District for a Rate Adjustment Pursuant to the Purchased Water Rate Adjustment Clause (Ky. P.S.C. June 25, 1993); Case No. 9963, Purchased Water Adjustment of Christian County Water District (Ky. P.S.C. Aug. 6, 1987).

³ In the event a water district or water association receives a refund from its supplier for amounts previously paid, the water district or water association shall immediately apply to the commission for authority to make adjustments on the amounts charged customer’s bills under this administrative regulation as follows:

(a) The total refund received by the utility shall be divided by the number of cubic feet or gallons of water the 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.

(b) Effective with meter readings taken on and after the first day of the second month following receipt of the refund, the 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 adjustments 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.

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

adjustment procedure. It further prescribes the methodology for making these adjustments to pass through this refund to the water district's customers.

In Case No. 2005-00460⁴ Christian District applied for a deviation from Administrative Regulation 807 KAR 5:068, Section 2(4), to purchase radio read water meters in lieu of refunding these monies to its customers. Finding that the regulation did not permit a deviation from its refunding provisions, we denied that request and directed Christian District to submit a refund plan.

On April 27, 2006, Christian District through its counsel submitted a proposed refund plan.⁵ In a telephone conference with Commission Staff in another proceeding that followed the submission of this proposal, Christian District advised the Commission to disregard the plan and stated that it would submit a proposal no later than June 2, 2006.⁶ No plan has subsequently been submitted. On November 1, 2006, Christian District advised the Commission that it had not received a response to its proposal of April 27, 2006 and renewed its request to use the refund monies for the purchase of radio read water meters.⁷

⁴ Case No. 2006-00460, Application of Christian County Water District For Deviation from Purchased Water Adjustment Regulation (Ky. PSC Mar. 29, 2006).

⁵ Letter from John N. Hughes to Beth O'Donnell, Executive Director, Kentucky Public Service Commission (April 27, 2006).

⁶ Case No. 2006-00173, Purchased Water Adjustment of Christian County Water District (Ky. PSC June 14, 2006). See Memorandum from Gerald Wuetcher, Deputy General Counsel, Kentucky Public Service Commission, to Case File (May 26, 2006). Commission Staff furnished a copy of this memorandum to Christian District and its counsel. See http://psc.ky.gov/pscscf/2006-00173/PSC_Memo_05302006.pdf.

⁷ Letter from John N. Hughes to Beth O'Donnell, Executive Director, Kentucky Public Service Commission (November 1, 2006).

In light of these events, the Commission, on its own motion, HEREBY ORDERS that:

1. Christian District's request to use the refund monies for the purchase of radio read water meters is denied.
2. Christian District shall refund the amount of \$192,533 over a 2-month period by proportionally reducing each customer's monthly rate by \$3.03 per 1,000 gallons for two billing cycles.
3. Christian District shall adjust the refund factor in the second month of the refunding to ensure a complete and accurate refunding.
4. Refunds shall first appear on bills rendered in the month following the issuance of this Order.
5. Christian District shall, within 30 days of completion of the refunding, advise the Commission in writing of the completion of the refunding, the amount refunded in each month, the number of customers receiving refunds each month, and the total water sales during each month of the refund period.

Done at Frankfort, Kentucky, this 28th day of November, 2006.

By the Commission

ATTEST:


Executive Director