

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT) CASE NO.
OF FARMDALE WATER DISTRICT) 2009-00052

O R D E R

On February 5, 2009, Farmdale Water District (“Farmdale”) applied for approval to adjust its rates pursuant to the purchased water adjustment procedure. It sought to increase its rates commensurate with an increase in the Frankfort Electric and Water Plant Board’s (“Plant Board”) wholesale water rate. On March 9, 2009, the Commission issued an Order finding that the purchased water adjustment should be \$0.36 per 1,000 gallons. On its own motion, the Commission has reviewed the March 9, 2009 Order and has determined that it is in error.

Farmdale sought to adjust its rates based on two increases: the Plant Board’s general rate and its Kentucky River Authority (“KRA”) fee rate. In determining the appropriate adjustment factor, the Commission utilized the guidelines and formula found in KRS 278.015 and 807 KAR 5:068. In our calculations—as shown in Appendix A of the March 9, 2009 Order—the Commission omitted the additional cost of the KRA fee rate. Due to the Commission’s erroneous calculations, Farmdale under-recovered in its rate schedule.

The calculations in Appendix A to this Order reflect the proper calculation of the purchased water adjustment factor based on the formula in 807 KAR 5:068.

During the 12 months ending October 31, 2008, Farmdale purchased a total of 224,238,000 gallons of water from the Plant Board. The increase in the cost of purchased water is \$73,886.42, resulting in a purchased water adjustment of \$0.42 per 1,000 gallons.

The effect of this *nunc pro tunc* Order relates back to the original Order of March 9, 2009. The Commission approved the use of the purchased water adjustment procedure in the former Order but failed to accurately calculate the adjustment, the formula for which is found in 807 KAR 5:068. Thus, this Order does not constitute retroactive rate-making.

Because this Order relates back to March 9, 2009, Farmdale's tariff on file with the Commission must be changed to reflect the actual purchased water adjustment factor. In addition, KRS 278.160 requires Farmdale to collect the amount it under-recovered from its customers.¹ That being said, the Commission finds that Farmdale should not immediately bill its customers for the amounts that it under-recovered as a result of the Commission's original March 9, 2009 Order. The Commission would not typically make this finding, but the circumstances of the Plant Board's increase to Farmdale are unusual and dictate this procedure. Because the Plant Board was ultimately required to refund certain funds paid by Farmdale,² 807 KAR 5:068, Section 2(4) mandates that Farmdale apply to the Commission for authority to pass that refund along to its customers. The Commission has announced its intent to address

¹ See *Boone County Sand & Gravel Co. v. Owen County Rural Elec. Coop. Corp.*, 79 S.W.2d 224 (Ky. Ct. App. 1989).

² Case No. 2008-00250, *Proposed Adjustment of the Wholesale Water Service Rate of the Frankfort Electric and Water Plant Board* (Ky. PSC Apr. 6, 2009).

Farmdale's refund to its customers in Case No. 2009-00220.³ In order to prevent potential confusion for Farmdale's customers as a result of multiple refunds and additional charges, the Commission will also consider, in Case No. 2009-00220, the impact of the under-recovery of Farmdale which resulted from the Commission's erroneous calculations of March 9, 2009.

IT IS HEREBY ORDERED, *nunc pro tunc*, that:

1. Finding Paragraph 9 of our Order of March 9, 2009 is stricken and replaced with the following:

9. During the 12 months ending October 31, 2008, Farmdale District purchased a total of 224,238,000 gallons of water from Frankfort. The increase in the cost of purchased water is \$73,886.42, resulting in a purchased water adjustment of \$0.42 per 1,000 gallons.

2. Appendix A to our Order of March 9, 2009 is stricken and replaced with Appendix A to this Order.

3. Finding Paragraph 12 of our Order of March 9, 2009 is stricken and replaced with the following:

12. A purchased water adjustment of \$0.42 per 1,000 gallons is fair, just, and reasonable.

4. Ordering Paragraph 3 of our Order of March 9, 2009 is stricken and replaced with the following:

3. A purchased water adjustment of \$0.42 per 1,000 gallons is approved.

5. Appendix B to our Order of March 9, 2009 is stricken and replaced with Appendix B to this Order.

³ Case No. 2009-00220, *Purchased Water Adjustment Filing of the Farmdale Water District (Ky. PSC June 26, 2009)*.

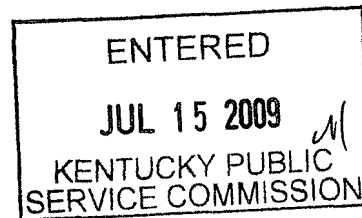
IT IS FURTHER ORDERED that:

6. Within 20 days of the date of this Order, Farmdale shall file with the Commission revised tariff sheets containing the approved rates.

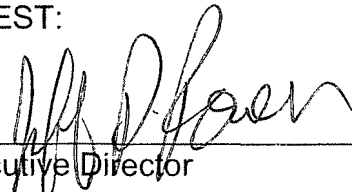
7. Farmdale shall not immediately attempt to collect the amount of funds owed to it by its customers as a result of under-collection based on the Commission's Order of March 9, 2009.

8. The Commission shall consider the under-recovery when calculating the refund adjustments owed to Farmdale's customers in Case No. 2009-00220.

By the Commission



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2009-00052 DATED **JUL 15 2009**

| | New Rate | Base Rate |
|--------------------------------------------|----------------|--------------------------|
| Farmdale Water District | | |
| Purchases in gallons | 224,238,000 | 224,238,000 |
| Volumetric Rate | \$1.822/1,000 | \$1.539/1,000 |
| KRA Fee | \$0.0965/1,000 | \$0.0500/1,000 |
| | \$430,200.60 | \$356,314.18 |
| Increased water cost | | \$73,886.42 |
| Increased water cost | | \$73,886.42 |
| Divided by gallons sold | | <u>177,026,000</u> |
| Purchased water adjustment increase factor | | \$0.42 per 1,000 gallons |

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2009-00052 DATED JUL 15 2009

The following rates and charges are prescribed for the customers in the area served by Farmdale Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

Residential and Commercial Consumers

5/8" Meter

| | | | |
|-------|----------------|--------|-------------------|
| First | 2,000 gallons | \$9.30 | Minimum Bill |
| Next | 3,000 gallons | 3.15 | per 1,000 gallons |
| Next | 5,000 gallons | 2.65 | per 1,000 gallons |
| Over | 10,000 gallons | 2.45 | per 1,000 gallons |

1" Meter

| | | | |
|-------|-----------------|---------|-------------------|
| First | 7,000 gallons | \$24.05 | Minimum Bill |
| Next | 3,000 gallons | 2.65 | per 1,000 gallons |
| Next | 140,000 gallons | 2.45 | per 1,000 gallons |
| Over | 150,000 gallons | 2.20 | per 1,000 gallons |

Commercial Consumers (Stewart Home)

| | | | |
|-------|-----------------|---------|-------------------|
| First | 7,000 gallons | \$24.05 | Minimum Bill |
| Next | 3,000 gallons | 2.65 | per 1,000 gallons |
| Next | 140,000 gallons | 2.45 | per 1,000 gallons |
| Over | 150,000 gallons | 2.20 | per 1,000 gallons |

Industrial Consumers/Trailer Parks

| | | | |
|-------|-----------------|---------|-------------------|
| First | 7,000 gallons | \$24.05 | Minimum Bill |
| Next | 3,000 gallons | 2.65 | per 1,000 gallons |
| Next | 140,000 gallons | 2.45 | per 1,000 gallons |
| Over | 150,000 gallons | 2.20 | per 1,000 gallons |

Berl Robinson
Chairman
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