

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PURCHASED WATER)	CASE NO.
ADJUSTMENT FILING OF MUHLENBERG)	2022-00231
COUNTY WATER DISTRICT NO. 3)	

ORDER

By Order dated September 2, 2022, the Commission, approved a purchased water adjustment (PWA) factor effective August 31, 2022, and ordered Muhlenberg County Water District No. 3 (Muhlenberg District No. 3) to file responses to Commission Staff's Request for Information (Staff's First Request) that would allow the Commission to determine whether Muhlenberg District No. 3 charged an untariffed wholesale rate to its customers. On September 29, 2022, Muhlenberg District No. 3 filed its responses to Staff's First Request.

In its responses, Muhlenberg District No. 3 denied charging any customers a wholesale rate.¹ Muhlenberg District No. 3 explained that in preparation for an Alternative Rate Filing (ARF) in 2018 (Case No. 2018-00346),² it requested the Kentucky Rural Water Association prepare a Cost of Service Study and establish a wholesale rate for one of its former customers, the city of Sacramento, Kentucky (Sacramento).³ Muhlenberg District

¹ Muhlenberg District No. 3's Response to Commission Staff's First Request for Information (Response to Staff's First Request) (filed Sept. 29, 2022), Item 1.

² Case No. 2018-00346, *Application of Muhlenberg County Water District #3 for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC Apr, 8, 2019).

³ Response to Staff's First Request, Item 3.

No. 3 explained that it was in negotiations with Sacramento at the time of the ARF filing to resume sales to Sacramento if a wholesale rate could be established.⁴ Previously, Sacramento had purchased water from Muhlenberg District No. 3, but it had paid retail rates. The proposed wholesale rate of \$3.86 per 1,000 gallons was included in Muhlenberg District No. 3's ARF application.⁵ However, Sacramento stopped purchasing water from Muhlenberg District No. 3 prior to the conclusion of the ARF rate case, and the wholesale rate was not included in the final Order.⁶ Muhlenberg District No. 3 explained that the Wholesale Water Rate shown in the tariff on file with the Commission is a canceled rate as indicated by the red line that appears on the tariff sheet striking through the wholesale rate.⁷ Further, Muhlenberg District No. 3 stated that the canceled rate has never been charged to any customer of Muhlenberg District No. 3.⁸

Muhlenberg District No. 3 cites to a comment made by Commission Staff on page three of the Commission Staff Report in Case No. 2018-00346⁹ to explain why it asked for a wholesale rate in this PWA proceeding.¹⁰ Commission Staff wrote, "If Muhlenberg District #3 starts selling water to a wholesale customer in the future, they are encouraged to file another application for a rate increase in order to calculate a wholesale rate."

⁴ Response to Staff's First Request, Item 3.

⁵ Case No. 2018-00346, (filed Oct. 9, 2018), Application.

⁶ Case No. 2018-00346, (Ky. PSC Apr, 8, 2019), final Order.

⁷ Response to Staff's First Request, Item 2.

⁸ Response to Staff's First Request, Item 2.

⁹ Case No. 2018-00346, (filed Jan. 22, 2019), Commission Staff Report.

¹⁰ Response to Staff's First Request, Item 3.

Muhlenberg District No. 3 stated that it does not have a wholesale rate that is approved by the Commission, and that it thought it could make such a request in this PWA.¹¹

The Commission clarifies that a request to establish a wholesale rate must be made in a general rate proceeding filed pursuant to KRS 278.180, or in an ARF proceeding filed pursuant to Commission regulation 807 KAR 5:076. Such an establishment of a new rate is not proper in a PWA proceeding. PWA proceedings, pursuant to 807 KAR 5:068, merely allow for a pass-through increase of purchased water costs across rate classifications previously approved by the Commission. There are no provisions in 807 KAR 5:068 to *establish a new* rate classification.

The Commission, on its own motion, finds that Muhlenberg District No. 3 satisfied the requirements of the Commission's September 2, 2022 Order, by filing responses to Staff's Request, and therefore this case can be closed and removed from the Commission's docket.

IT IS THEREFORE ORDERED that this case is closed and removed from the Commission's docket.

¹¹ Response to Staff's First Request, Item 3.

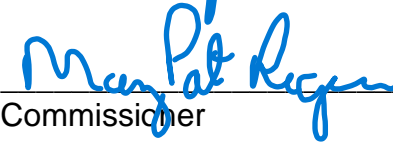
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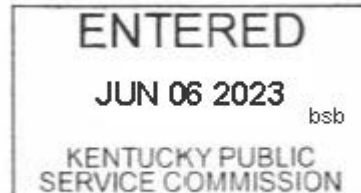
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ATTEST:



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