

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WATER SERVICE)
CORPORATION OF KENTUCKY) CASE NO. 2005-00325
FOR AN ADJUSTMENT OF RATES)

O R D E R

On September 30, 2005, Water Service Corporation of Kentucky ("Water Service") tendered for filing an application for an increase in rates. Finding that this application failed to meet the minimum filing requirements set forth in 807 KAR 5:001, Section 10, the Commission's Executive Director notified Water Service on October 11, 2005 that its application was not accepted for filing. On November 3, 2005, Water Service supplemented its application and requested permission to deviate from several provisions of 807 KAR 5:001. Having reviewed the amended application, the Commission finds that Water Service has cured the deficiencies in its filing pertaining to the requirements set forth in 807 KAR 5:001, Sections 10(1)(b)(3), 10(1)(b)(5), 10(6)(h), and 10(6)(i), and finds that Water Service's request for deviations should be granted in part and denied in part.

807 KAR 5:001, Section 10(6)(n), requires an applicant to submit a summary of the utility's latest depreciation study. In lieu of such summary, Water Service has submitted a statement of the useful lives for classes of plant account and requested a deviation from any remaining requirements of this regulation. Pursuant to 807 KAR

5:001, Section 14, the Commission finds that good cause exists to grant this request for deviation.

Water Service further requests a deviation from 807 KAR 5:001, Section 10(1)(b)(7), which requires the filing of a complete set of tariffs with an effective date not less than 30 days from the date the application is filed. Water Service asserts that "due to the delay in the Commission's acceptance of the filing, a new cover sheet for the tariffs is filed with an effective date of December 5, 2005." The Commission finds that a deviation should be granted and accepts the filing of a new cover sheet, in lieu of the entire tariff, with an effective date not less than 30 days from the date the application is filed.

Finally, Water Service asserts that the notice filed with the application complies with 807 KAR 5:001, Section 10(3)(c), or, in the alternative, requests a deviation from any part of the regulation that the Commission determines has not been met. 807 KAR 5:001, Section 10(3)(c), requires that the notice to customers "include the effect upon the average bill for each customer class to which the proposed rate change will apply." The notices as tendered with the filing of the application state the effect on the average bill of customers with 5/8-inch or 3/4-inch meters only. Water Service argues that it serves customers through 5/8-inch meters predominately and, therefore, the vast majority of customers have been informed of the effect on their average bill. Water Service asserts that it has only one customer class and that the members of that class pay according to meter size.

The Commission notes that the purpose of requiring customer notification is to ensure that customers are accurately informed of the effects of the proposed rate

change. In this case, notifying only the users of 5/8-inch or 3/4-inch meters of the effect of the rate change on the average customer bill is misleading. The stated effect on the average bill for users of larger meter sizes is markedly different. For example, in the Middlesboro area, the percent increase to the average bill of a 5/8-inch meter customer is 20.47 percent while the increase to the average bill of a 4-inch meter is 70.11 percent.¹

Water Service is changing its rate design making it substantially more difficult for customers to determine from the notice the effect the change in rates will have on their particular bills. Therefore, to ensure that customers are accurately informed of the effects of the proposed rate change, Water Service's request for deviation from 807 KAR 5:001, Section 10(3)(c), should be denied and Water Service should be required to publish a revised customer notice stating the effect of the rate change on the average customer bill for each meter size customer instead of stating the change for only the 5/8-inch or 3/4-inch meter customers.

IT IS THEREFORE ORDERED that:

1. Water Service's request to deviate from 807 KAR 5:001, Section 10(6)(n) and 10(1)(b)(7), is granted.
2. Water Service's request to deviate from 807 KAR 5:001, Section 10(3)(c), is denied.
3. Within 15 days from the date of this Order, Water Service shall file with the Commission a copy of the revised customer notice stating the effect of the rate change

¹ Application, Tab 7.

on the average bill for customers of each meter size instead of stating the change for only the 5/8-inch or 3/4- inch meter customers.

4. Water Service shall publish the revised customer notice pursuant to the requirements of 807 KAR 5:001, Section 10(4).

5. Water Service shall refile its tariff cover sheet with a new proposed effective date that is at least 30 days beyond the date of filing the information requested in Ordering Paragraph 3.

6. The statutory time period for Commission review of the proposed rates shall not commence to run until Water Service satisfies the requirements of Ordering Paragraph 3.

Done at Frankfort, Kentucky, this 23rd day of November, 2005.

By the Commission

ATTEST:


Executive Director