

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF ) CASE NO. 2013-00419  
JUDY WATER ASSOCIATION )

ORDER

Judy Water Association has applied for rehearing<sup>1</sup> of the Commission's Order of December 17, 2013, in which the Commission authorized an adjustment of rates to reflect an increase in the utility's cost of purchased water. It states that the Commission failed to address Judy Water Association's request for a deviation from the notice requirements set forth in 807 KAR 5:068. By this Order, we grant rehearing.

Judy Water Association, a non-profit corporation that is organized pursuant to KRS Chapter 273, owns and operates facilities that distribute water to approximately 1,886 customers in Bath, Bourbon, Clark, Montgomery, and Nicholas counties, Kentucky.<sup>2</sup> It is a utility subject to Commission jurisdiction.<sup>3</sup>

On November 27, 2013, Judy Water Association submitted an application pursuant to 807 KAR 5:068 to adjust its rates for water service to reflect an increase in its cost of purchased water. One of its wholesale suppliers, the city of Middleton, Kentucky, had increased its rate for wholesale water service. In its application, Judy Water Association requested that, in lieu of publishing notice of its proposed rate

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<sup>1</sup> Judy Water Association's application was in the form of a letter from its manager. The Commission will consider this letter as application for rehearing.

<sup>2</sup> *Annual Report of Judy Water Association to the Public Service Commission of Kentucky for the Calendar Year Ending December 31, 2012* at 5, 27.

<sup>3</sup> KRS 278.012.

adjustment in newspaper of general circulation, it be permitted to place an abbreviated notice on customer bills and to post a complete notice on its website.<sup>4</sup> In our Order of December 17, 2013, in which we approved the proposed rate adjustment, we failed to address this request.

On January 2, 2014, Judy Water Association requested rehearing and specifically noted the Commission's failure to address its request for deviation. In further support of its requested deviation, Judy Water Association stated that the proposed adjustment of rates will generate additional revenues of only \$1,286 and that the cost of newspaper publication is \$575. It suggested that, in light of recurring adjustments that it must file to reflect increases in the rates of its water suppliers, the cost of notice would significantly reduce its recovery of the increased purchased water costs.

KRS 278.012 requires a water association to provide notice to its customers of any adjustment in rates made solely to reflect an increase in its cost of purchased water "[p]rior to or at the time of the first billing of the new rates." 807 KAR 5:068, Section 5(4), specifies that this notice must include the effective date of the increase, the present and proposed rates, the average usage and effect of the proposed rates on the average customer bill, and the location where a copy of the water association's application can be obtained. The regulation further requires that notice must be mailed to each customer or published in a newspaper of general circulation in the water association's service area.<sup>5</sup>

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<sup>4</sup> Letter from Billy Ray Fawns, Manager, Judy Water Association, to Jeff Derouen, Executive Director, Public Service Commission (Nov. 25, 2013).

<sup>5</sup> 807 KAR 5:068, Section 5(2).

The contents of Judy Water Association's proposed notice do not comply with 807 KAR 5:068, Section 5(4). Section 8 of 807 KAR 5:068, however, permits deviations from the administrative regulation's requirements for good cause. In this instance, granting the requested deviation will not diminish or reduce a customer's ability to contest an application for an adjustment of rates. KRS 278.012, which authorizes a water association to adjust its rates to reflect an increase in a wholesale water supplier's rate without prior Commission approval, does not require any prior notice to customers nor does it specify the content of such notice. The alternative means of notice that Judy Water Association proposes will still alert customers of the change in rates and the reason for that change.

Given the cost of publication of notice, the limited nature of the rate adjustment,<sup>6</sup> the small amount of the increased revenue resulting from the proposed rates, and alternative means used to convey the adjustment, the Commission finds that good cause exists to grant the deviation.

IT IS THEREFORE ORDERED that:

1. Judy Water Association's request for rehearing is granted.
2. Judy Water Association is granted a deviation from 807 KAR 5:068, Section 5.
3. Judy Water Association is permitted to use its proposed form of notice to its customers in lieu of the notice form that 807 KAR 5:068, Section 5(4), requires.

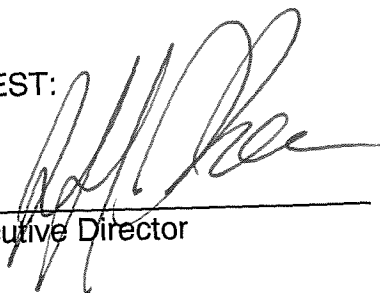
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<sup>6</sup> The purchased water adjustment factor is \$0.02 per 1,000 gallons. For a customer using 5,000 gallons of water monthly, the increase to the customer's monthly bill is \$0.10.

By the Commission

ENTERED  
JAN 22 2014  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



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Executive Director

Case No. 2013-00419

Billy Fawns  
Judy Water Association, Inc.  
2010 Maysville Road  
P. O. Box 781  
Mt. Sterling, KY 40353-0781