

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MOUNTAIN WATER DISTRICT)	CASE NO.
FOR AN ADJUSTMENT OF WATER AND SEWER)	2014-00342
RATES)	

ORDER

On November 20, 2014, Mountain Water District (“Mountain District”) tendered an application for an adjustment in rates for water and sewer service. Pursuant to 807 KAR 5:001, Section 22, Mountain District requested a deviation from the requirement that it provide a copy of a third-party beneficiary agreement for the continued operation of the sewage-treatment facilities or other evidence of financial integrity to ensure the continuity of sewer service.¹ Mountain District further requested a deviation from the requirement that it file a depreciation study of both its water and sewer facilities.

Mountain District’s application did not fully comply with the Public Service Commission’s filing requirements, and therefore, is deficient.

Third-Party Beneficiary Guarantee/Evidence of Financial Integrity

In support of its request for a deviation, Mountain District states that it is a political subdivision of the Commonwealth and that the Commonwealth has the financial resources to ensure the continuity of sewer services.

¹ 807 KAR 5:071, Section 3(2)(a).

Depreciation Study

Mountain District is not required to file a depreciation study; however, it is required to file a summary of its latest depreciation study.² Mountain District states that it has not performed a depreciation study and asserts that the depreciation schedule of water facility assets filed with the application accurately reflects its water plant.

Mountain District further asserts that the latest depreciation schedule of the assets of its sewer facilities filed with its application accurately reflects its sewer facilities. The depreciation schedule is separated into major plant accounts.

Deficiencies

Pursuant to 807 KAR 5:001, Section 16(1)(b)(2), Mountain District should have provided a certified copy of a certificate of assumed name or a statement that a certificate of assumed name is not necessary.

Mountain District provided a copy of the public notice; however, the public notice does not comply with 807 KAR 5:001, Section 17(4). The notice contains the amount of the percentage of change, but does not contain the amount of the requested change in dollars.

The notice for Mountain District sewer-service customers who do not receive metered water service does not clearly state whether customers are being charged a volumetric rate or a flat rate. The language beneath the heading "Flat Rate Customers" contains the following language:

For customers who do not receive water service from Mountain Water District, usage will be based on the DISTRICT'S water system residential customer average usage and then calculated using the current sewer rate schedule to derive the total bill due.

² 807 KAR 5:001, Section 16(4)(n).

This statement implies that the rates for these customers is not fixed but will fluctuate based on Mountain District's average residential customer use. The notice, however, further indicates that these customers are currently being charged a flat rate of \$29, which Mountain District proposes to increase to a \$75.10 flat rate. The notice needs to clearly indicate whether these customers are being charged a volumetric rate or a flat rate.

The notice also contains information related to a septic system that is not regulated by the Public Service Commission.

Having considered the motion and the record, and being otherwise sufficiently advised, the Commission finds that:

1. Mountain District was organized under the provisions of KRS Chapter 74³ and is a political subdivision of the Commonwealth of Kentucky.⁴
2. Mountain District began sewer utility operations on August 1, 1993.⁵
3. Mountain District owns, operates, and manages facilities that are used for and in connection with the treatment of sewage for 2,372 customers in Pike and Floyd counties, Kentucky.⁶

³ Application at paragraph 2.

⁴ *Louisville Extension Water Dist. V. Diehl Pump & Supply Co., Inc.*, 246 S.W.2d 585, 586 (Ky. 1952).

⁵ *Annual Report of Mountain Water District to the Public Service Commission for the Calendar Year Ended December 31, 2013 (sewer division)* at 8.

⁶ *Id.* at 9 and 25.

4. For its sewer operation for the calendar year ending December 31, 2013, Mountain District reported revenues of \$917,414 and total operating expenses of 1,241,268.⁷

5. For its sewer operation for the calendar year ending December 31, 2013, Mountain District reported net operating income of (\$1,267,069), of which \$945,205 related to depreciation expense, a non-cash expense.⁸

6. For its sewer operation for the calendar year ending December 31, 2013, Mountain District reported net utility plant of \$25,004,305.⁹

7. For its sewer operation for the calendar year ending December 31, 2013, Mountain District reported total assets of \$26,589,480.¹⁰

8. For its sewer operation for the calendar year ending December 31, 2013, Mountain District reported total long-term debt of \$1,450,543, total current and accrued liabilities of \$84,213, Contributions in Aid of Construction of \$25,679,543, and total equity capital of (\$3,121,734).¹¹

9. In view of Mountain District's financial assets and its status as a political subdivision of the Commonwealth of Kentucky, Mountain District has sufficient financial integrity to ensure the continuity of sewer service. A copy of a valid third-party beneficiary agreement guaranteeing the continued operation of the sewage-treatment

⁷ *Id.* at 25.

⁸ *Id.*

⁹ *Id.* at 12.

¹⁰ *Id.*

¹¹ *Id.* at 13.

facilities should not be required to proceed with its application for a sewer-service rate adjustment.

10. The depreciation schedule of Mountain District's assets of its sewer facilities separated into major plant accounts complies with 807 KAR 5:071, Section 3(2)(d).

11. Mountain District's request for a deviation from the requirement to file a depreciation study of its water and sewer facilities should be granted.

12. Mountain District should file a certified copy of a certificate of assumed name or a statement that such certificate is not necessary.

13. Mountain District should publish a notice that fully complies with 807 KAR 5:001, Section 17. Rates related to services not regulated by the Public Service Commission should not be included in the notice.

14. Mountain District's application should be rejected based upon the filing deficiencies related to the certificate of assumed name and the notice.

IT IS THEREFORE ORDERED that:

1. Mountain District is not required to file a valid third-party beneficiary agreement guaranteeing the continued operation of its sewage-treatment facilities.

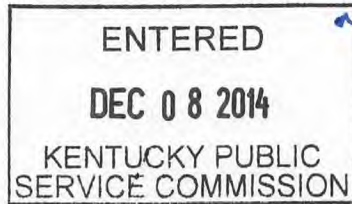
2. Mountain District's request for a deviation from the requirement that it file a depreciation study for either the water or sewer facilities is granted.

3. Mountain District's application is rejected based upon the filing deficiencies related to the certificate of assumed name and the notice.

4. Mountain District shall cure the deficiencies within 30 days of issuance of this Order.

5. The statutory time period in which the Commission must process this case will not commence until the deficiencies are cured.

By the Commission



ATTEST:



Executive Director

Case No. 2014-00342

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