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PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRAVES COUNTY )  
WATER DISTRICT FOR AN ALTERNATIVE ) CASE NO. 2018-00429  
RATE ADJUSTMENT )

MOTION FOR AUTHORIZATION TO ASSESS COMMISSION  
STAFF-RECOMMENDED RATES FOR SERVICE

Graves County Water District (“Graves District”) moves for authorization to assess the Commission Staff-recommended base rates for service immediately. In support of its motion, Graves District states:

1. On December 27, 2018, Graves District applied for an adjustment of its rates for water service. The Public Service Commission accepted this application for filing on January 10, 2019.

2. On January 23, 2019, the Commission established a procedural schedule in this proceeding and required Commission Staff to file a report of its findings and recommendations regarding Graves District’s application no later than May 15, 2019. The Commission subsequently amended this Order to permit Commission Staff until June 12, 2019 to submit its report.

3. On June 10, 2019, Commission Staff issued its report on Graves District’s application for rate adjustment in which it found that Graves District required a revenue increase of \$233,647 and recommended that Graves District’s base rates be increased 14.17 percent. Commission Staff further recommend that Graves District be permitted to assess a monthly surcharge of \$3.20 to use for water loss detection and repair.

4. On June 21, 2019, Graves District advised the Commission in writing that it did not object to the findings and recommendations set forth in the Commission Staff Report, but requested that the amount of the proposed monthly surcharge be phased-in over a one-year period, beginning at \$2.00 and then increased to \$3.20 at the end of the first year.

5. On July 11, 2019, the Commission ordered that a hearing be held in this matter on August 6, 2019 to take testimony on Graves District's water loss detection and repair plan. In its Order, the Commission did not raise any other issues regarding Graves District's application or Commission Staff's findings and recommendations to be considered or addressed.

6. In view of the scheduled hearing in this matter, a final order in this proceeding may not be forthcoming for several months. Pursuant to KRS 278.190(3), the Commission is not required to issue a final order until November 9, 2019.

7. Graves District is in serious financial difficulty and requires an immediate increase in rates to meet its operating expenses. In the last two calendar years of its operation, Graves District's utility operating income was (\$449,570) and its total net income was (\$493,093). As noted in the Commission Staff Report, its cash flow is so limited that it was required in December 2018 to draw funds on an operating line of credit from Community Financial Services Bank to meet operating expenses. As Commission Staff found in its Report, Graves District's present rates do not cover its expenses. In fact, Graves District is losing over \$18,600 per month because of its inadequate rates.

8. While KRS 278.190(2) and 807 KAR 5:076, Section 7(2) permits Graves District to place its proposed rates into effect subject to refund, such action is problematic. Based upon the findings contained in the Commission Staff Report, the proposed rates will produce a level of revenue greater than the Commission will deem reasonable and will not be approved. Placing the

proposed rates into effect now will require Graves District to make refunds when final rates are approved. Such refunds will place significant administrative burdens on Graves District and will likely create customer confusion.

9. Authorizing the assessment of Commission Staff's recommended base rates<sup>1</sup> should not be delayed pending the outcome of the scheduled hearing in this matter. The reasonableness of the recommended rates has not been contested. Graves District has accepted the Commission Staff-recommended rates. The Commission in its Order of July 11, 2019, did not identify any specific finding or recommendation in the Commission Staff Report as a potential subject for review at the scheduled hearing or state any specific concern about the Commission Staff-recommended rates.

10. The subject that the Commission has identified in the Order of July 11, 2019 for review at the scheduled hearing is Graves District's water loss detection and repair plan, but does not directly affect the Commission Staff-recommended base rates.

11. KRS 278.190(3) permits the Commission to order the Commission Staff-recommended base rates into effect pending a final decision on the recommended monthly surcharge for water loss detection and repair. Placing the Commission Staff-recommended rates into effect would allow Graves District to cease the hemorrhaging of funds and permit it to begin move toward financial recovery without the potential problems associated with a refund. Such action is consistent with past Commission precedent.<sup>2</sup>

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<sup>1</sup> Graves District is not seeking authority to immediately charge the Commission Staff-recommended Monthly Water Loss Detection and Repair Surcharge rate. It seeks authority to charge the other rates set forth in the Attachment to the Commission Staff Report.

<sup>2</sup> *Electronic Application of Estill County Water District No. 1 for a Rate Adjustment Pursuant to 807 KAR 5:076*, Case No. 2017-00176 (Ky. PSC Nov. 6, 2017).

**WHEREFORE**, Graves County Water District respectfully requests that the Commission issue an Order authorizing Graves District to immediately commence assessing Commission Staff-recommended base rates pending a final decision in this proceeding..

Dated: July 31, 2019

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gerald E. Wuetcher". The signature is written in a cursive style with a horizontal line underneath the name.

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