

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MCCREARY	)	CASE NO.
COUNTY WATER DISTRICT FOR AN	)	2021-00300
ALTERNATIVE RATE ADJUSTMENT	)	

ORDER

This matter arises upon McCreary County Water District's (McCreary District) proposed sewer rate increase made in response to Commission Staff's recommendation regarding the amount of a rate increase that amended McCreary District's application to request higher rates than initially requested. In its application, McCreary District requested an increase in its revenue requirement of \$211,617 or 16.38 percent over test-year normalized revenues, with the 16.38 percent increased phased in over three years. As originally proposed, McCreary District requested an increase of \$70,497, or 5.46 percent, in the first year of the rate increase; \$70,549, or 5.18 percent, in the second year of the rate increase; and \$70,523, or 4.92 percent, in the third year of the rate increase.<sup>1</sup> In the notice of the rate increase provided to customers, the monthly bill for an average customer would increase by 5.45 percent in phase one, by 5.17 percent in phase two, and by 4.92 percent in phase three.<sup>2</sup>

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<sup>1</sup> McCreary District's Response to Commission Staff's First Request for Information (filed Nov. 19, 2021), 00300\_Application\_001\_RateCalculationsSpreadsheet\_Sewer.xlsx.

<sup>2</sup> Application, Exhibit L.

When Commission Staff performed the limited financial review of test-year operations, Commission Staff determined McCreary District would require an increase of \$552,332, or 42.76 percent increase, with the increased phased in over two years.<sup>3</sup>

On April 4, 2022, McCreary District filed with the Commission its comments in response to Commission Staff's March 11, 2022 report (Commission Staff's Report). In McCreary District's response, it requested an increase of \$211,617, or 16.38 percent, with the entire increase effective immediately upon approval by the Commission instead of a three-year phase in as originally requested.<sup>4</sup> As a result of the amended request, McCreary District's revenue would immediately increase by \$211,617, or 16.38 percent, instead of by \$70,497, or 5.46 percent, in the first year of a rate increase.

#### LEGAL STANDARD

Commission regulation 807 KAR 5:076, Section 11(3)(f) states:

If commission staff reports that the applicant's financial condition supports a higher rate than the applicant proposed or commission staff recommends the assessment of an additional rate or charge not proposed in the application and commission staff's proposed rates produce a total increase in revenues that exceeds 110 percent of the total increase in revenues that the applicant's proposed rates will produce and the applicant amends its application to request commission staff's proposed rates, the commission shall order the applicant to provide notice of the finding or recommendation to its customers.

Commission regulation 807 KAR 5:076, Section 7(1), provides that an application for an alternative rate adjustment (ARF) may not place the proposed rates into effect until the Commission approves those rates or six months from the date of filing an application.

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<sup>3</sup> Commission Staff's Report (Ky. PSC Mar. 11, 2022) at 4.

<sup>4</sup> McCreary District's Response to Commission Staff's Report (filed Apr. 4, 2022) at 2.

Commission regulation 807 KAR 5:001, Section 4(5), provides that amendment of an application shall not relate back to the date of the filing of the original application unless the Commission orders otherwise.

### DISCUSSION AND FINDINGS

As an initial matter, McCreary District amended its proposed rate increase in response to the Commission Staff's Report recommended rate increase. In requesting a rate increase be implemented in its entirety immediately rather than phased in over three years, McCreary District proposed rates that produced a total increase that exceeds the revenue initially proposed in phase one of the rate increase by \$141,120, or 300.18 percent of the original proposed rate increase for phase one of \$70,497.<sup>5</sup> In accordance with 807 KAR 5:076, Section 5, customers were put on notice that the proposed sewer rate increase was to be 5.47 percent. As proposed in the April 4, 2022 filing, McCreary District now proposes a 16.38 percent sewer rate increase.

Consistent with 807 KAR 5:076, Section 11(3)(f), because McCreary District amended its application on April 4, 2022, when it proposed a revenue increase that exceeded the 110 percent threshold, and because the amended application does not relate back to the original application, McCreary District shall not place the proposed rates into effect until the Commission issues an Order approving the rates or October 4, 2022, which is six months from the date the application was amended, whichever comes first.

Because McCreary District's proposed sewer rates exceed the regulatory threshold for renote, the Commission finds that McCreary District should provide notice of the proposed rate increase to its customers. Within 14 days of the date of this Order,

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<sup>5</sup> \$211,617 / \$70,497 = 300.18%

McCreary District shall notify its customers of the implementation of the rates proposed in its April 4, 2022 response to Commission Staff's Report by publishing notice of the increase in a newspaper of general circulation in its territory or placing an insert in bills rendered to its customers. The customer notice shall contain the information set forth in the Appendix to this Order.

IT IS THEREFORE ORDERED that:

1. McCreary District's amended application is accepted as filed as of April 4, 2022.

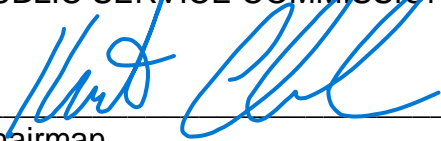
2. McCreary District shall not place the proposed rates into effect until the Commission issues an Order approving the rates or six months from the date the application was amended, whichever comes first.

3. Within 14 days of the date of this Order, McCreary District shall notify its customers of the implementation of sewer rates calculated upon McCreary District's rate increase of 16.38 percent that was contained in its response to the Commission Staff's Report by publishing notice of the increase in a newspaper of general circulation in its territory or placing an insert in bills rendered to its customers. The customer notice shall contain the information set forth in the Appendix to this Order.

4. McCreary District shall provide proof of publication of the notice to the Commission no later than 30 days from the date of this Order.

5. If the Commission does not receive any written requests for intervention or a hearing in this matter within 30 days of publication of new rates, this case shall stand submitted to the Commission for a decision based upon the existing record.

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Vice Chairman

  
\_\_\_\_\_  
Commissioner

ENTERED  
JUL 27 2022 rcs  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00300 DATED JUL 27 2022

On September 27, 2022, the Kentucky Public Service Commission (PSC) accepted for filing McCreary County Water District’s (McCreary District) application requesting to increase its revenue from water sales by \$211,617 an approximate increase of 16.38 percent over three years. On March 11, 2022, Commission Staff determined McCreary District would require an increase of \$552,322 or 42.76 percent in revenue from water sales. McCreary District requests that McCreary District be allowed to implement McCreary District’s proposed increase in its entirety immediately rather than phased in over three years. The revised rates are as follows:

	<u>Current</u>	<u>Proposed</u>	<u>Change (\$)</u>	<u>Change (%)</u>
<u>All Users Except U.S. Penitentiary</u>				
First 2,000 Gallons	\$24.19 Minimum Bill	\$28.15 Minimum Bill	\$3.96	16.37
Next 8,500 Gallons	\$0.00844 Per Gallon	\$0.00982 Per Gallon	\$0.00138	16.35
Over 20,000 Gallons	\$0.00750 Per Gallon	\$0.00873 Per Gallon	\$0.00123	16.40
<u>U.S. Penitentiary</u>				
First 1,300,000 Gallons	\$9,703.13 Minimum Bill	\$11,291.92 Minimum Bill	\$1,588.79	16.37
Over 1,300,000 Gallons	\$0.00844 Per Gallon	\$0.00982 Per Gallon	\$0.00138	16.35

The proposed rates shall not become effective until the Public Service Commission has issued an Order approving these rates. The rates will increase the monthly bill of a typical residential customer using 4,000 gallons a month from \$41.07 to \$47.79, an increase of \$6.72 or approximately 16.36 percent. The rates will increase the monthly bill for the U.S. Penitentiary, which produces an average of 5,605,575 gallons of wastewater monthly, from \$46,042.18 to \$53,572.67, an increase of 7,530.49 or approximately 16.36 percent. This filing may be examined at the offices of McCreary District located at 456 N. Highway 27, Whitley City, Kentucky 42653; telephone 270-298-7704.

Any person may examine this filing at the PSC located at 211 Sower Boulevard, Frankfort, Kentucky, Monday–Friday, 8:00 a.m. to 4:30 p.m. or on the PSC website at <https://psc.ky.gov/https://psc.ky.gov/>; telephone (502) 564-3940. A copy of the PSC Commission Staff’s Report can be found at the following address:

[https://psc.ky.gov/pscscf/2021%20Cases/2021-00300//20220311\\_STAFF\\_REPORT.pdf](https://psc.ky.gov/pscscf/2021%20Cases/2021-00300//20220311_STAFF_REPORT.pdf)

Any person may submit comments on the proposed request no later than 30 days after the date of publication of customer notice. Comments shall be in writing and shall be submitted to the Executive Director, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602. Comments may also be submitted by electronic mail to [psc.comment@ky.gov](mailto:psc.comment@ky.gov). If the Commission does not receive any request for intervention or hearing in this matter within 30 days after the date of publication of this customer notice, the Commission will proceed to render a decision in the matter.

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