

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matters of:

ELECTRONIC APPLICATION OF MOUNTAIN) CASE NO.
WATER DISTRICT FOR A GENERAL) 2022-00366
ADJUSTMENT OF WATER RATES)

ELECTRONIC APPLICATION OF MOUNTAIN) CASE NO.
WATER DISTRICT FOR A GENERAL) 2022-00367
ADJUSTMENT OF SEWER RATES)

ORDER

On December 30, 2022, Mountain Water District (Mountain District) filed a motion for deviation pursuant to 807 KAR 5:001, Sections 5 and 22. Prior to filing its applications to adjust its water and sewer rates, Mountain District requested that the Commission grant it a deviation from the procedural requirements of 807 KAR 5:001, Section 16(4)(i). As stated in its motion, Mountain District represented that it was basing the proposed rates in its applications on a historical test period. Mountain District argued that Commission regulations require that Mountain District provide a reconciliation of its rate base and capital used to support its revenue requirement because it is using a historical test period.¹ However, Mountain District stated that neither a rate base nor capitalization method was appropriate for determining a water district's revenue requirement. Accordingly, Mountain District sought a deviation from 807 KAR 5:001, Section 16(4)(i)

¹ 807 KAR 5:001, Section 16(4)(i).

to allow it to file its application without a reconciliation of the rate base and capital used to determine its revenue requirements.

LEGAL STANDARD

Commission regulation 807 KAR 5:001E, Section 22 provides, “[i]n special cases, for good cause shown, the commission may permit deviations from these rules.” Here, Mountain District has sought a deviation from 807 KAR 5:001E, Section 16(4)(i) prior to filing its applications in these cases. However, it should also be noted that 807 KAR 5:001E, Section 16(4)(i) provides some clarification and context for the preceding regulation, 807 KAR 5:001E, Section 16(4)(h). The relevant sections of that Commission regulation provide:

Each application supported by a historical test period shall include the following information or a statement explaining why the required information does not exist and is not applicable to the utility's application [...]

- (h) A summary of the utility's determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules;
- (i) A reconciliation of the rate base and capital used to determine its revenue requirements[.]²

DISCUSSION AND FINDINGS

Read in its entirety, 807 KAR 5:001E, Section 16(4)(i) allows a utility filing an application for an adjustment of its rates using a historical test period to provide either (1) information showing “[a] reconciliation of the rate base and capital used to determine its

² 807 KAR 5:001E, Section 16(4)(h)–(i).

revenue requirements” or (2) “a statement explaining why the required information does not exist and is not applicable to the utility’s application[.]”

Here, Mountain District filed a motion on December 30, 2022, requesting a deviation from the procedural requirements of 807 KAR 5:001, Section 16(4)(i). However, in its motion, Mountain District cited only to one of the prongs of 807 KAR 5:001, Section 16(4)(i). Mountain District failed to offer any explanation as to why it should not be required to provide in its application “a statement explaining why the required information [i.e., the reconciliation] does not exist and is not applicable to the utility’s application[.]”³

In Case No. 2022-00161, Northern Kentucky Water District (Northern Kentucky District) filed an application for an adjustment of its water rates. In its application, Northern Kentucky District provided a statement that “[a] reconciliation of rate base and capital is not included because there is no rate base calculation in Exhibit N or Exhibit K.”⁴ The inference from this statement was that Northern Kentucky District did not possess such a reconciliation and it was not applicable to Northern Kentucky District’s application. While noting other deficiencies, the Commission found that Northern Kentucky District’s application contained no deficiencies with respect to 807 KAR 5:001, Section 16(4)(i). Accordingly, Northern Kentucky District’s application satisfied the procedural requirements of 807 KAR 5:001, Section 16(4)(i).

Likewise, the Commission accepted an application for a general rate case filing in Case No. 2022-00142. In that case, the Daviess County Water District (Daviess District)

³ 807 KAR 5:001, Section 16(4)(i).

⁴ Case No. 2022-00161, *Electronic Application of Northern Kentucky Water District for an Adjustment of Rates; Issuance of Bonds; Financing; And Tariff Revisions* (filed July 22, 2022), Application at 7.

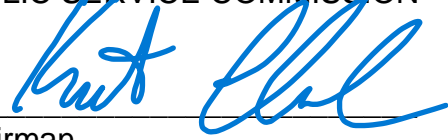
included an index listing all of its exhibits referencing each applicable regulation. As to 807 KAR 5:001, Section 16(4)(i), in that exhibit index, Daviess District stated that 807 KAR 5:001, Section 16(4)(i) was not applicable to water districts.⁵

Notwithstanding the lack of the reconciliation of rate base and capital, both respective utilities' applications were accepted for filing in Case Nos. 2022-00161 and 2022-00142. The Commission recognizes generally that water districts will utilize either a debt service coverage or operating ratio methodology to determine its revenue requirement. The procedural requirement of 807 KAR 5:001E, Section 16(4)(i) simply requires a statement reflecting why a reconciliation of rate base and capital and does not exist and is not applicable to the utility's application. As Mountain District has yet to file its applications in these two cases before the Commission, the Commission finds that Mountain District's motion for a deviation should be denied. Mountain District has not shown good cause to deviate from the requirement in 807 KAR 5:001E, Section 16(4)(i) to provide with its application "a statement explaining why the required [reconciliation] does not exist and is not applicable to the utility's application[.]" The Commission notes that in recent cases it has found good cause if an explanation is offered as to why the information does not exist and is not applicable to the utility, should Mountain District seek to file a new motion upon the filing of its application, or provide said statement with its application.

IT IS THEREFORE ORDERED that Mountain District's motion to deviate from the procedural requirements of 807 KAR 5:001E, Section 16(4)(i) is denied.

⁵ Case No. 2022-00142, *Electronic Application of Daviess County Water District for Adjustment of Rates* (filed June 30, 2022), Application, Exhibit 1 at 2.

PUBLIC SERVICE COMMISSION

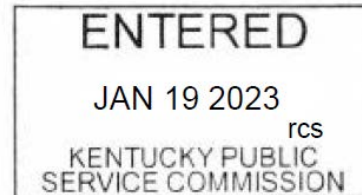


Chairman

Vice Chairman



Commissioner



ATTEST:



Executive Director

Case No. 2022-00366
Case No. 2022-00367

*Gerald E Wuetcher
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*Roy Sawyers
Mountain Water District
P. O. Box 3157
Pikeville, KY 41502

*Mountain Water District
6332 Zebulon Highway
P. O. Box 3157
Pikeville, KY 41502-3157

*Tammy Olson
Mountain Water District
P. O. Box 3157
Pikeville, KY 41502