



Ernie Fletcher
Governor

LaJuana S. Wilcher, Secretary
Environmental and Public
Protection Cabinet

Christopher L. Lilly
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
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Mark David Goss
Chairman

Teresa J. Hill
Vice Chairman

Gregory Coker
Commissioner

February 3, 2006

Mr. William Ballard
East Clark County Water District
P. O. Box 112
Winchester, Kentucky 40391

John H. Rompf, Jr., Esq.
White, McCann & Stewart PLLC
P. O. Box 578
Winchester, Kentucky 40392-0578

Deborah Eversole, Esq.
Kent Hatfield, Esq.
Stoll, Keenon and Ogden LLP
2650 Aegon Center
400 West Market Street
Louisville, Kentucky 40202-3377

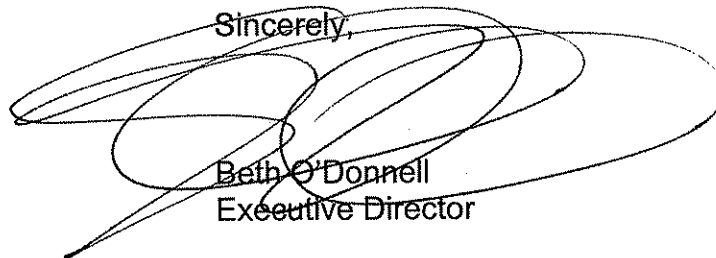
Mr. Vernon Azevedo
Winchester Municipal Utilities
P.O. Box 4177
Winchester, Kentucky 40392-4177

Re: Case No. 2004-00455
East Clark County Water District

Ms. Eversole and Gentlemen:

The enclosed memorandum has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Gerald Wuetcher, Assistant General Counsel, at (502) 564-3940, Extension 259.

Sincerely,



Beth O'Donnell
Executive Director

gw
Enclosure

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2004-00455
FROM: Gerald Wuetcher *GW*
Assistant General Counsel
DATE: February 3, 2006
RE: Telephone Conference Call of December 12, 2005

On December 12, 2005, Commission Staff held a telephone conference call in this case. Participating in this telephone conference call were:

William Ballard	-	East Clark County Water District
Deborah Eversole	-	East Clark County Water District
Kent Hatfield	-	East Clark County Water District
Carryn Lee	-	Kentucky Rural Water Association
Vernon Azevedo	-	Winchester Municipal Utilities
Janice Eldridge	-	Winchester Municipal Utilities
John Rompf	-	Winchester Municipal Utilities
Jason Green	-	Commission Staff
Sam Reid	-	Commission Staff
Gerald Wuetcher	-	Commission Staff

Commission Staff requested the conference to discuss potential errors in the calculation of East Clark County Water District's ("ECCWD") purchase water adjustment.

Prior to the conference, Commission Staff request that ECCWD provide certain information regarding ECCWD's sales and payments to Winchester Municipal Utilities ("WMU"). (See Attachments 1 and 2.) WMU provided similar information. (See Attachment 3.) Commission Staff furnished to ECCWD and WMU its calculation of ECCWD's purchase water adjustment factor based upon the information that ECCWD had provided in response to the Commission's Order of September 27, 2005, Commission Staff's First Request for Information, and Commission Staff's electronic mail requests for information. (See Attachment 4.)

Beginning the conference, Mr. Wuetcher stated that Commission Staff would prepare minutes of the conference for the case record, that a copy of these minutes would be provided to all parties, and that all parties would be given an opportunity to submit written comments upon those minutes.

Mr. Green then presented his revised calculations of ECCWD's purchase water adjustment. Mr. Green noted that the Commission's original calculations of ECCWD's purchase water adjustment failed to consider the wholesale rate set forth in ECCWD's filed rate schedules and used inaccurate information regarding ECCWD's purchases and sales. Considering the wholesale rate in ECCWD's filed rate schedule and using the revised purchase and sales information that ECCWD had furnished the Commission, Commission Staff determined that the correct purchase water adjustment factor should be \$1.36 per 1,000 gallons. Mr. Green stated that the rate schedule included in Attachment 4 reflected ECCWD's appropriate retail rates. He further stated that applying the purchase water adjustment factor of \$1.36 per 1,000 gallons to the wholesale rate in ECCWD's tariff would produce a wholesale rate of \$3.39 per 1,000 gallons. Based upon the billing and sales information that WMU produced prior to the conference, Mr. Reid stated, it appeared that WMU was entitled to a refund.

Mr. Wuetcher noted that, based upon Mr. Green's calculations, it appeared that ECCWD was not currently assessing its retail customers the full amount of the increase in ECCWD's wholesale cost of water. He proposed that the revised rates be placed into effect as soon as possible. He also noted that, pursuant to the Kentucky Court of Appeals' decision in Kentucky Public Service Commission v. Cumberland Falls Highway Water District, 834 S.W.2d 726 (Ky. App. 1992), ECCWD could petition for a surcharge to collect any amounts that were not collected as a result of the erroneous calculation of ECCWD's purchase water adjustment factor.

The parties questioned Mr. Green and Mr. Reid about their calculations. They engaged in a general discussion regarding WMU's rates for water service to ECCWD, ECCWD's proposed elimination of its wholesale rate, and their rights and obligations under their existing water purchase contract. Mr. Hatfield advised Commission Staff that ECCWD would consider Commission Staff's proposal and submit a response within a reasonable time. The conference then adjourned.

On December 22, 2005, ECCWD provided Commission Staff by electronic mail its response to the Commission Staff proposal. (See Attachment 5)

cc: Parties of Record
5 Attachments

Wuetcher, Jerry (PSC)

From: Deborah Eversole [Deborah.Eversole@skp.com]
Sent: Friday, December 09, 2005 12:59 PM
To: Wuetcher, Jerry (PSC)
Cc: Kent Hatfield; jhrompf@winchester-law.com; wdballard@bellsouth.net
Subject: total numbers of gallons sold
Attachments: Deborah Eversole.vcf

Mr. Wuetcher, here are the answers to the two questions you asked when you called me to set up the telephonic conference:

[1] number of gallons sold by East Clark to all customers except Winchester from January 1 2005 through November 2005:
104,868,300

[2] number of gallons sold by East Clark to Winchester from January 1 through November 2005: 15,948,700

Deborah T. Eversole
STOLL, KEENON & PARK, LLP
2650 AEGON Center
400 West Market Street
Louisville, Kentucky 40202

Phone: 502-568-9100 general
502-568-5770 direct
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CAUTION this message may contain confidential information subject to the attorney client privilege. If you receive this message in error, please send a reply to deborah.eversole@skp.com

Attachment 1

Wuetcher, Jerry (PSC)

From: Deborah Eversole [Deborah.Eversole@skp.com]
Sent: Monday, December 12, 2005 12:24 PM
To: Wuetcher, Jerry (PSC)
Cc: Kent Hatfield; jhrompf@winchester-law.com; wdballard@bellsouth.net; Carryn Lee
Subject: RE: Case No. 2004-00455 - East Clark County Water District PWA

since January 1, East Clark has billed Winchester \$120,565.34. Since January 1, Winchester has paid \$60,158.42.

From: Wuetcher, Jerry (PSC) [mailto:JWuetcher@ky.gov]
Sent: Monday, December 12, 2005 11:19 AM
To: Deborah Eversole
Cc: Kent Hatfield; jhrompf@winchester-law.com; wdballard@bellsouth.net
Subject: Case No. 2004-00455 - East Clark County Water District PWA

Ms. Eversole:

Could East Clark provide Commission Staff with the total amount in dollars that East Clark billed Winchester for water service since January 1, 2005 and the total amount that East Clark has collected from Winchester for service provided since January 1, 2005? These amounts are necessary to calculate a proposed surcharge to ensure recovery of the appropriate water cost.

Sincerely,

Gerald E. Wuetcher
Assistant General Counsel
Public Service Commission of Kentucky
(502) 564-3940, Extension 259
gerald.wuetcher@ky.gov

From: Deborah Eversole [mailto:Deborah.Eversole@skp.com]
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Cc: Kent Hatfield; jhrompf@winchester-law.com; wdballard@bellsouth.net
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Attachment 2

2/2/06

Wuetcher, Jerry (PSC)

From: John Rompf [jhrumpf@winchester-law.com]
Sent: Monday, December 12, 2005 1:45 PM
To: Wuetcher, Jerry (PSC)
Cc: Azevedo, Vernon
Subject: Fw: Case No. 2004-00455 - East Clark County Water District PWA
Attachments: East Clark-WMU Monthly Billing Summary.xls; 2005 2004 2003 Spreadsheet.xls

Jerry

Sorry for the delay but we had to get a few bugs out of the information to make sure it was correct. Attached are two sets of spread sheets which give you the whole history of payments made to ECCWD and received from ECCWD. If you have any questions about the information we will try to answer them. Unfortunately we bill in a unit of 100 cf and not 1000 gal and that may not be confusing to you but it sure is to me
We will talk at 3 this afternoon.

----- Original Message -----

From: Janice L. Eldridge
To: John Rompf
Cc: Vernon Azevedo
Sent: Monday, December 12, 2005 12:57 PM
Subject: RE: Case No. 2004-00455 - East Clark County Water District PWA

Here is the updated spreadsheet. Also, please use this revised (2005 2004 2003 Spreadsheet) document. I found a couple of errors when I started comparing the two spreadsheets.

If you have any questions, give me a call.

Janice

From: John Rompf [mailto:jhrumpf@winchester-law.com]
Sent: Monday, December 12, 2005 11:45 AM
To: Janice L. Eldridge
Subject: Fw: Case No. 2004-00455 - East Clark County Water District PWA

As you can see from the attached email the PSC wants the info that was just mentioned in my previous email a few minutes ago.

----- Original Message -----

From: Wuetcher, Jerry (PSC)
To: 'Deborah Eversole'
Cc: Kent Hatfield ; jhrumpf@winchester-law.com ; wdballard@bellsouth.net
Sent: Monday, December 12, 2005 11:19 AM
Subject: Case No. 2004-00455 - East Clark County Water District PWA

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Sincerely,

Gerald E. Wuetcher
Assistant General Counsel
Public Service Commission of Kentucky
(502) 564-3940, Extension 259
gerald.wuetcher@ky.gov

Attachment 3

2/2/06

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Winchester Municipal Utilities (Water repurchased from ECCWD)

A	B	C	D	E	F	G	I
Gallons Billed by ECCWD	100 cubic feet (converted from gallons)	ECCWD Average price billed per 100 cu ft from G below	% Increase of ECCWD price over 12/31/04 price of \$1.18	Increased WMU contract price over 12/31/04 price of \$1.52	Actual bill Due to ECCWD	Amount Paid by WMU to ECCWD	Amt Billed by ECCWD
							Tariffed Rates
January usage, Due February							
Hwy 15 #1	281,300	375.07				1,712.47	2,212.77
Hwy 15 #2	50,000	66.67				351.62	457.20
Hwy 89	976,000	1,301.33				5,663.39	7,485.54
Monthly Total	1,307,300	1,743.07	2.01	70.11%	4,506.94	7,727.48	2,653.82
February usage, Due March							
Hwy 15 #1	272,400	363.20				1,661.72	2,145.22
Hwy 15 #2	65,200	86.93				407.65	494.87
Hwy 89	1,063,500	1,418.00				6,161.01	8,149.67
Monthly Total	1,401,100	1,868.13	2.25	90.67%	5,414.25	8,230.38	2,844.23
March usage, Due April							
Hwy 15 #1	242,600	323.47				0.00	1,919.03
Hwy 15 #2	49,000	65.33				0.00	371.91
Hwy 89	869,500	1,159.33				0.00	6,677.21
Monthly Total	1,161,100	1,548.13	2.06	74.28%	4,101.11	4,101.11	2,357.03
April usage, Due May							
Hwy 15 #1	320,000	426.67				1,042.89	2,506.50
Hwy 15 #2	108,000	144.00				351.97	819.72
Hwy 89	914,500	1,219.33				2,980.37	7,018.76
Monthly Total	1,342,500	1,790.00	1.90	60.81%	4,375.23	4,375.23	2,725.28
May usage, Due June							
Hwy 15 #1	306,700	408.93				1,068.27	2,405.55
Hwy 15 #2	86,500	115.33				301.29	656.54
Hwy 89	1,026,000	1,368.00				3,573.66	7,865.04
Monthly Total	1,419,200	1,892.27	2.03	71.86%	4,943.22	4,943.22	2,880.98
June usage, Due July							
Hwy 15 #1	334,900	446.53				1,130.20	2,619.59
Hwy 15 #2	215,000	286.67				725.57	1,631.85
Hwy 89	952,000	1,269.33				3,212.76	7,303.38
Monthly Total	1,501,900	2,002.53	1.96	66.52%	5,068.53	5,068.53	3,048.86
July usage, Due August							
Hwy 15 #1	303,600	404.80				1,025.95	2,382.02
Hwy 15 #2	66,000	88.00				223.03	500.94
Hwy 89	946,500	1,262.00				3,198.49	7,261.64
Monthly Total	1,316,100	1,754.80	1.97	66.74%	4,447.47	4,447.47	2,671.68

Winchester Municipal Utilities (Water repurchased from ECCWD)

A	B	C	D	E	F	G	I
Gallons Billed by ECCWD	100 cubic feet (converted from gallons)	ECCWD Average price billed per 100 cu ft from G below	% Increase of ECCWD price over 12/31/04 price of \$1.18	Increased WMU contract price over 12/31/04 price of \$1.52	Actual bill Due to ECCWD	Amount Paid by WMU to ECCWD	Tariffed Rates
August usage, Due September							
Hwy 15 #1	326,500	435.33				1,109.64	2,555.84
Hwy 15 #2	116,000	154.67				394.23	880.44
Hwy 89	1,327,000	1,769.33				4,509.91	10,149.63
Monthly Total	1,769,500	2,359.33	1.98	2.55	6,013.78	6,013.78	3,592.09
September usage, Due October							
Hwy 15 #1	253,100	337.47				859.05	1,998.73
Hwy 15 #2	85,500	114.00				290.20	648.95
Hwy 89	1,047,500	1,396.67				3,555.32	8,028.23
Monthly Total	1,386,100	1,848.13	1.98	2.55	4,704.56	4,704.56	2,813.78
October usage, Due November							
Hwy 15 #1	259,500	346.00				892.37	2,047.11
Hwy 15 #2	51,000	68.00				175.38	387.29
Hwy 89	968,000	1,290.67				3,328.76	7,424.82
Monthly Total	1,278,500	1,704.67	2.00	2.58	4,396.51	4,396.51	2,595.36
November usage, Due December							
Hwy 15 #1	266,500	355.33				938.44	2,100.44
Hwy 15 #2	54,500	72.67				191.91	413.66
Hwy 89	1,445,000	1,926.67				5,088.33	11,045.25
Monthly Total	1,766,000	2,354.67	2.05	2.64	6,218.68	6,218.68	3,584.98
Totals	15,649,300	20,865.73			54,190.28	60,226.95	31,768.08

Unit Price of Water as of 12/31/04

Wholesale to ECCWD \$1.18 per 100 cf (charged to ECCWD by WMU)
 Repurchase from ECCWD \$1.52 per 100 cf (charged to WMU by ECCWD)

Calculations

- Column A Total Gallons billed by ECCWD
- Column B Convert gallons to 100 cubic feet (Column A divided by 750)
- Column C Average monthly price charged by WMU to ECCWD
- Column D Percentage increase in 12/31/04 price to ECCWD from WMU
- Column E Repurchase price by WMU based upon 12/31/04 price plus increase from Column D
- Column F Column B times Column E

East Clark County Water District (Water purchased from WMU)

	100 cu ft used	Amount Billed	Average Price per 100 cf	Monthly Average Price	Increase from 12/31/04 Price	% Increase
December usage, Due January						
Two Mile Road	390	460.20	1.18			
Hughes Avenue	3,417	4,032.06	1.18			
Ecton Road	6,116	7,216.88	1.18			
Elkin Station Road	228	269.04	1.18			
Flanagan Station Road	3,526	4,160.68	1.18			
Paris Road	1,115	1,315.70	1.18			
Monthly Total	14,792	17,454.56		1.18		
January usage, Due February						
Two Mile Road	505	1,228.43	2.43			
Hughes Avenue	4,030	8,603.68	2.13			
Ecton Road	7,502	13,950.56	1.86			
Elkin Station Road	287	751.01	2.62			
Flanagan Station Road	5,265	10,505.58	2.00			
Paris Road	789	1,850.39	2.35			
Monthly Total	18,378	36,889.65		2.01	0.83	70.11%
February usage, Due March						
Two Mile Road	288	753.20	2.62			
Hughes Avenue	3,314	7,380.14	2.23			
Ecton Road	2,796	6,245.72	2.23			
Elkin Station Road	236	639.32	2.71			
Flanagan Station Road	3,635	7,995.38	2.20			
Paris Road	529	1,280.99	2.42			
Monthly Total	10,798	24,294.75		2.25	1.07	90.67%
March usage, Due April						
Two Mile Road	111	324.86	2.93			
Hughes Avenue	4,005	8,565.18	2.14			
Ecton Road	7,233	13,536.30	1.87			
Elkin Station Road	308	797.00	2.59			
Flanagan Station Road	3,020	6,736.28	2.23			
Paris Road	759	1,784.69	2.35			
Monthly Total	15,436	31,744.31		2.06	0.88	74.28%
April usage, Due May						
Two Mile Road	4	14.09	3.52			
Hughes Avenue	5,603	11,026.10	1.97			
Ecton Road	6,048	11,711.40	1.94			
Elkin Station Road	233	632.75	2.72			
Flanagan Station Road	3,020	4,603.22	1.52			
Paris Road	759	1,740.89	2.29			
Monthly Total	15,667	29,728.45		1.90	0.72	60.81%
May usage, Due June						
Two Mile Road	3	10.85	3.62			
Hughes Avenue	6,063	11,734.50	1.94			
Ecton Road	5,602	11,024.56	1.97			
Elkin Station Road	293	764.15	2.61			
Flanagan Station Road	2,244	5,036.84	2.24			
Paris Road	705	1,666.43	2.36			
Monthly Total	14,910	30,237.33		2.03	0.85	71.86%

East Clark County Water District (Water purchased from WMU)

	100 cu ft used	Amount Billed	Average Price per 100 cf	Monthly Average Price	Increase from 12/31/04 Price	% Increase
June usage, Due July						
Two Mile Road	5	17.33	3.47			
Hughes Avenue	6,517	12,433.66	1.91			
Ecton Road	7,620	14,132.28	1.85			
Elkin Station Road	368	928.40	2.52			
Flanagan Station Road	2,277	5,109.11	2.24			
Paris Road	1,073	2,472.35	2.30	1.96	0.78	66.52%
Monthly Total	17,860	35,093.13				
July usage, Due August						
Two Mile Road	5	17.33	3.47			
Hughes Avenue	7,033	13,228.30	1.88			
Ecton Road	7,602	14,104.56	1.86			
Elkin Station Road	393	983.15	2.50			
Flanagan Station Road	3,334	7,423.94	2.23			
Paris Road	1,160	2,662.88	2.30	1.97	0.79	66.74%
Monthly Total	19,527	38,420.16				
August usage, Due September						
Two Mile Road	9	29.45	3.27			
Hughes Avenue	7,402	13,796.56	1.86			
Ecton Road	6,394	12,244.24	1.91			
Elkin Station Road	352	893.36	2.54			
Flanagan Station Road	2,793	6,239.15	2.23			
Paris Road	1,018	2,351.90	2.31	1.98	0.80	67.69%
Monthly Total	17,968	35,554.66				
September usage, Due October						
Two Mile Road	14	44.60	3.19			
Hughes Avenue	7,096	13,325.32	1.88			
Ecton Road	7,124	13,368.44	1.88			
Elkin Station Road	405	1,009.43	2.49			
Flanagan Station Road	3,624	7,978.44	2.20			
Paris Road	1,132	2,601.56	2.30	1.98	0.80	67.47%
Monthly Total	19,395	38,327.79				
October usage, Due November						
Two Mile Road	21	65.66	3.13			
Hughes Avenue	6,888	13,005.00	1.89			
Ecton Road	5,999	11,635.94	1.94			
Elkin Station Road	312	805.76	2.58			
Flanagan Station Road	2,664	5,956.64	2.24			
Paris Road	1,126	2,588.42	2.30	2.00	0.82	69.68%
Monthly Total	17,010	34,057.42				
November usage, Due December						
Two Mile Road	29	88.70	3.06			
Hughes Avenue	5,896	11,477.32	1.95			
Ecton Road	5,501	10,869.02	1.98			
Elkin Station Road	302	783.86	2.60			
Flanagan Station Road	3,569	7,893.74	2.21			
Paris Road	913	2,121.95	2.32	2.05	0.87	73.75%
Monthly Total	16,210	33,234.59				

Current Balance Carried Forward on Bills to ECCWD

Balance Left	Hwy 89	Hwy 15
2/10/05	1822.15	674.42
2/10/05 Penalty	748.55	267.00
3/10/05	1988.66	570.72
3/10/05 Penalty	198.87	57.07
4/10/05	3606.07	1260.97
4/10/05 Penalty	667.72	229.09
5/10/05	4038.40	1931.35
05/10/05 Penalty	701.88	332.62
6/10/05	4291.38	1692.53
06/10/05 Penalty	786.50	306.21
7/10/05	4090.62	2395.67
07/10/05 Penalty	730.34	425.14
8/10/05	0.00	0
08/10/05 Penalty	0.00	0
9/10/05	9702.87	3319.96
09/10/05 Penalty	970.29	332.00
10/10/05	4472.91	1744.86
10/10/05 Penalty	447.29	174.49
11/10/05	4096.06	1366.65
11/10/05 Penalty	409.61	136.67
12/10/05		

\$ 43,770.17 \$ 17,217.42

**Winchester Municipal Utilities/East Clark County Water District
Water Purchase Summary
2005**

Month	Water Purchased By ECCWD from WMU		Blended Cost/1000 Gallons	Total Charge	Water Purchased By WMU from ECCWD		Blended Cost/1000 Gallons	Total Charge	Blended Cost/1000 Gallons
	cu ft (x 100)	gallons (x1000)			cu ft (x 100)	gallons (x1000)			
January	18,378	13,747	\$ 2.68	\$ 36,889.65	17	1,307	\$ 2.68	\$ 10,155.51	\$ 7.77
February	10,798	8,077	\$ 3.01	\$ 24,294.75	19	1,401	\$ 3.01	\$ 10,789.76	\$ 7.70
March	15,436	11,546	\$ 2.75	\$ 31,744.31	16	1,161	\$ 2.75	\$ 8,968.15	\$ 7.72
April	15,667	11,719	\$ 2.54	\$ 29,728.45	18	1,343	\$ 2.54	\$ 10,344.98	\$ 7.71
May	14,910	11,153	\$ 2.71	\$ 30,237.33	19	1,419	\$ 2.71	\$ 10,927.13	\$ 7.70
June	17,860	13,359	\$ 2.63	\$ 35,093.13	20	1,502	\$ 2.63	\$ 11,554.82	\$ 7.69
July	19,527	14,606	\$ 2.63	\$ 38,420.16	18	1,316	\$ 2.63	\$ 10,144.60	\$ 7.71
August	17,968	13,440	\$ 2.65	\$ 35,554.66	24	1,770	\$ 2.65	\$ 13,585.91	\$ 7.68
September	19,395	14,507	\$ 2.64	\$ 38,327.79	19	1,386	\$ 2.64	\$ 10,675.91	\$ 7.70
October	17,010	12,723	\$ 2.68	\$ 34,057.42	17	1,279	\$ 2.68	\$ 9,859.22	\$ 7.71
November	16,210	12,125	\$ 2.74	\$ 33,234.59	24	1,766	\$ 2.74	\$ 13,559.35	\$ 7.68
December	0	-		\$ -	0	0		\$ -	\$ -
Totals	183,159	137,003	\$ 2.68	\$ 367,582.24	209	15,649	\$ 2.68	\$ 120,565.34	\$ 7.70

Winchester Municipal Utilities/East Clark County Water District
 Water Purchase Summary
 2004

Month	Water Purchased By ECCWD from WMU		Blended Cost/1000 Gallons	Total Charge	Water Purchased By WMU from ECCWD		Blended Cost/1000 Gallons	Total Charge	Blended Cost/1000 Gallons
	cu ft (x 100)	gallons (x1000)			cu ft (x 100)	gallons (x1000)			
January	16,931	12,664	\$ 1.58	\$ 19,978.58	17	1,243	\$ 2.03	\$ 2,522.88	\$ 2.03
February	14,392	10,765	\$ 1.58	\$ 16,982.56	18	1,318	\$ 2.03	\$ 2,674.94	\$ 2.03
March	13,066	9,773	\$ 1.58	\$ 15,417.88	20	1,481	\$ 2.03	\$ 3,006.03	\$ 2.03
April	14,956	11,187	\$ 1.58	\$ 17,648.08	18	1,316	\$ 2.03	\$ 2,670.87	\$ 2.03
May	15,752	11,782	\$ 1.58	\$ 18,587.36	19	1,435	\$ 2.03	\$ 2,912.49	\$ 2.03
June	17,004	12,719	\$ 1.58	\$ 20,064.72	23	1,683	\$ 2.03	\$ 3,416.08	\$ 2.03
July	16,691	12,485	\$ 1.63	\$ 20,402.20	19	1,416	\$ 2.03	\$ 2,877.89	\$ 2.03
August	17,055	12,757	\$ 1.58	\$ 20,124.90	20	1,499	\$ 2.03	\$ 3,042.98	\$ 2.03
September	16,726	12,511	\$ 1.58	\$ 19,736.68	19	1,454	\$ 2.03	\$ 2,951.02	\$ 2.03
October	14,891	11,138	\$ 1.58	\$ 17,571.38	19	1,391	\$ 2.03	\$ 2,823.13	\$ 2.03
November	13,532	10,122	\$ 1.58	\$ 15,967.76	18	1,354	\$ 2.03	\$ 2,747.20	\$ 2.03
December	14,792	11,064	\$ 1.58	\$ 17,454.56	18	1,331	\$ 2.03	\$ 2,701.13	\$ 2.03
Totals	185,788	138,969	\$ 1.58	\$ 219,936.66	226	16,921	\$ 2.03	\$ 34,346.64	\$ 2.03

Winchester Municipal Utilities/East Clark County Water District
Water Purchase Summary
2003

Month	Water Purchased By ECCWD from WMU		Blended Cost/1000 Gallons	Total Charge	Water Purchased By WMU from ECCWD		Blended Cost/1000 Gallons	Total Charge	Blended Cost/1000 Gallons
	cu ft (x 100)	gallons (x1000)			cu ft (x 100)	gallons (x1000)			
January	11,877	8,884	\$ 1.56	\$ 13,896.09	19	1,449	\$ 1.56	\$ 2,896.80	\$ 2.00
February	16,149	12,079	\$ 1.56	\$ 18,894.26	19	1,398	\$ 1.56	\$ 2,795.40	\$ 2.00
March	12,708	9,506	\$ 1.56	\$ 14,868.36	18	1,375	\$ 1.56	\$ 2,750.00	\$ 2.00
April	15,154	11,335	\$ 1.56	\$ 17,730.18	20	1,485	\$ 1.56	\$ 3,036.42	\$ 2.04
May	15,015	11,231	\$ 1.56	\$ 17,567.55	18	1,342	\$ 1.56	\$ 2,684.80	\$ 2.00
June	15,415	11,530	\$ 1.56	\$ 18,030.87	20	1,530	\$ 1.56	\$ 3,060.00	\$ 2.00
July	16,650	12,454	\$ 1.58	\$ 19,649.36	20	1,533	\$ 1.58	\$ 3,065.60	\$ 2.00
August	16,713	12,501	\$ 1.58	\$ 19,721.34	20	1,518	\$ 1.58	\$ 3,035.60	\$ 2.00
September	17,078	12,774	\$ 1.58	\$ 20,152.04	23	1,714	\$ 1.58	\$ 3,428.00	\$ 2.00
October	14,183	10,609	\$ 1.58	\$ 16,735.94	17	1,251	\$ 1.58	\$ 2,538.72	\$ 2.03
November	15,571	11,647	\$ 1.58	\$ 18,373.78	20	1,528	\$ 1.58	\$ 3,100.63	\$ 2.03
December	13,892	10,391	\$ 1.58	\$ 16,392.56	18	1,372	\$ 1.58	\$ 2,785.36	\$ 2.03
Totals	180,405	134,943	\$ 1.57	\$ 212,012.33	234	17,495	\$ 1.57	\$ 35,177.33	\$ 2.01

Wuetcher, Jerry (PSC)

From: Wuetcher, Jerry (PSC)
Sent: Monday, December 12, 2005 12:06 PM
To: 'jhrompf@winchester-law.com'; Deborah Eversole (Deborah.Eversole@skp.com); 'hatfield@skp.com'
Subject: Case No. 2004-00455
Attachments: 068.pdf; SCN_20051212112021_001.pdf

Gentlemen and Ms. Eversole:

Attached are Commission Staff's calculations of the East Clark County Water District's PVA using the wholesale rate currently found in East Clark's filed tariff. Also find the retail rates that result from these calculations. Based upon the existing wholesale rate of \$2.03 per 1,000 gallons, the wholesale rate to Winchester should be \$3.39 per 1,000 gallons. Commission Staff will discuss its calculations and its proposed rates at the telephone conference this afternoon.

For your reference, I have also enclosed a copy of the Commission's administrative regulation on purchased water adjustments.

Sincerely,

Gerald E. Wuetcher
Assistant General Counsel
Public Service Commission of Kentucky
(502) 564-3940, Extension 259
gerald.wuetcher@ky.gov



068.pdf (22 KB)



SCN_20051212112021_001.pdf (25...)

Tracking:

Recipient

Read

'jhrompf@winchester-law.com'

Deborah Eversole (Deborah.Eversole@skp.com)

'hatfield@skp.com'

Reid, Sam H (PSC)

Read: 12/12/05 1:08 PM

Green, Jason L (PSC)

Read: 12/12/05 1:13 PM

807 KAR 5:068. Purchased water adjustment for water districts and water associations.

RELATES TO: KRS Chapter 278

STATUTORY AUTHORITY: KRS 278.012, 278.015, 278.030(1), 278.040(3)

NECESSITY, FUNCTION, AND CONFORMITY: KRS 278.030(1) provides that all rates charged by a water utility subject to the jurisdiction of the Public Service Commission shall be fair, just and reasonable. This administrative regulation prescribes the requirements under which a water district or a water association may implement a purchased water adjustment designed to recover the actual costs of water purchased.

Section 1. Water Utility Base Rate. The supplier's base rate in effect immediately prior to the most recent increase shall be considered the base rate.

Section 2. Applications for Change in Base Rate. (1) For purposes of a purchased water adjustment, the supplier's rate as defined in Section 1 of this administrative regulation shall be considered as the base rate for purchased water and any increase or decrease in the base rate shall be considered the changed rate.

(2) In the event there is an increase in the supplier's base rate, the water district or water association shall determine the increased cost of water purchased based on the twelve (12) month period ending within ninety (90) days immediately prior to the effective date of its rate adjustment to its customers. The cost of purchased water shall be calculated at the supplier's base rate and changed rate, as defined in Sections 1 and 2 of this administrative regulation. The difference in costs shall then be divided by the actual number of cubic feet or gallons sold during the same twelve (12) month period, yielding the purchased water adjustment in cents per cubic foot or gallon unit. This adjustment amount shall be added to all the utility's rate schedules on a per unit basis regardless of the customer class.

(3) In the event there is a decrease in the supplier's rate, the purchased water adjustment shall be calculated in the same manner as set out in subsection (2) of this section and its rates reduced accordingly.

(4) In the event a water district or water association receives a refund from its supplier for amounts previously paid, the water district or water association shall immediately apply to the commission for authority to make adjustments on the amounts charged customer's bills under this administrative regulation as follows:

(a) The total refund received by the utility shall be divided by the number of cubic feet or gallons of water the utility estimates it will sell to its customers during the two (2) month period beginning with the first day of the month following receipt of the refund, yielding the refund factor to be applied against each cubic foot or gallon of water sold thereafter.

(b) Effective with meter readings taken on and after the first day of the second month following receipt of the refund, the utility will reduce by the refund factor any purchased water adjustment that would otherwise be applicable during the period. The period of reduced purchased water adjustments shall be adjusted, if necessary, in order to most nearly approximate the total amount to be refunded. The water utility shall make full distribution of the refund within two (2) months.

(c) In the event a water utility receives a large or unusual refund, the utility may apply to the commission for a deviation from the procedure for distribution of refunds specified herein.

Section 3. Filings with the Commission. (1) Within twenty (20) days after any such purchased water rate adjustment, the water district or water association shall file with the commission its revised tariff sheets setting forth the adjusted rates and information concerning the water purchases and sales upon which the adjustment was based sufficient to determine the accurateness of the calculations and application of the purchased water adjustment to its rates. Such tariffs and information shall be in substantially the form set forth in subsection (2) of this section. Copies of these forms may be obtained from the commission upon request.

(2) Form of purchased water adjustment filing.

PURCHASED WATER RATE ADJUSTMENT

Pursuant to KRS 278.012 and 278.015

(Name of Utility):

(Date):

(Business Mailing Address):

(Telephone Number):

1.(a) Names of all wholesale suppliers and the base rate and changed rate of each. In the event the water purchased is billed by the supplier on other than a flat rate schedule, the entire rate schedule must be shown. Attach additional sheets if necessary.

Supplier(s)	Base Rate	Changed Rate
(1)		
(2)		
(3)		

(b) A copy of the supplier's notice of the changed rate showing the effective date of the increase is attached as Exhibit _____.

2. Twelve-month period upon which purchased water adjustment is based:

From: (Month & Year)	Through: (Month & Year)
-------------------------	----------------------------

3. Statement of Water Purchases (Where water is purchased from more than one (1) supplier, purchases from each supplier must be shown separately. Where water is purchased from a supplier through more than one (1) meter and bills are computed individually for each meter, purchases should also be shown separately for each meter.)

Supplier's Name	Gallons Purchased	
	Meter No. 1	Meter No. 2
(1)		
(2)		
(3)		
TOTAL		

4. Total Sales for the twelve (12) Months _____

5. Purchased Water Adjustment Factor _____ ¢ per gallon or cubic foot.

NOTE: Revised tariff sheets must be attached showing rates to be charged by the utility and the effective date of such increased rates.

Signature of Utility Officer:

Title:

Form for filing Rate Schedules

For: (Community, Town or City)

P.S.C. No.:

_____ SHEET NO. _____

_____ CANCELLING P.S.C. NO. _____

Name of Issuing Corp.

_____ SHEET NO. _____

CLASSIFICATION OF SERVICE

RATE PER UNIT

DATE OF ISSUE _____ DATE EFFECTIVE _____

ISSUED BY (Name of Office):

TITLE:

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. _____ dated _____.

Section 4. Orders of the Commission. (1) Within thirty (30) days after the documents required by Section 3 of this administrative regulation are filed, the commission shall enter its order either approving the rates or establishing revised rates.

(2) If the rates contained in the tariff are correct and approved as filed, no further tariff forms will be required to be filed and a stamped copy of the approved tariff sheet(s) shall be returned to the utility for its files. If the rates are incorrect and corrected rates are established by the commission, within thirty (30) days of the date of the commission's order, the utility shall file revised tariff sheet(s) setting out the rates so ordered.

Section 5. Notice to Customers. The water district shall notify its customers of any increase in rates resulting from a supplier increase no later than the rendering of the first bill at the increased rate. (12 Ky.R. 1965; Am. 13 Ky.R. 235; eff. 7-2-86.)

Retail

should have been

Monthly Water Rates

5/8" x 3/4" Meter

	<u>Rate</u>
First 2,000	\$26.34 Minimum Bill
Next 8,000	10.92 per 1,000 gallons
Next 40,000	9.70 per 1,000 gallons
Over 50,000	8.48 per 1,000 gallons

1" Meter

First 5,000	\$59.10 Minimum Bill
Next 5,000	10.92 per 1,000 gallons
Next 40,000	9.70 per 1,000 gallons
Over 50,000	8.48 per 1,000 gallons

1 1/2" Meter

First 10,000	\$113.70 Minimum Bill
Next 40,000	9.70 per 1,000 gallons
Over 50,000	8.48 per 1,000 gallons

2" Meter

First 20,000	\$210.70 Minimum Bill
Next 30,000	9.70 per 1,000 gallons
Over 50,000	8.48 per 1,000 gallons

3" Meter

First 30,000	\$307.70 Minimum Bill
Next 20,000	9.70 per 1,000 gallons
Over 50,000	8.48 per 1,000 gallons

4" Meter

First 50,000	\$501.70 Minimum Bill
Over 50,000	8.48 per 1,000 gallons

East Clark County Water District

SUPPLIER	NEW RATE	OLD RATE (per 1,000)		
City of Winchester	(attachment)	\$1.5770		
				(\$1.18 / 100 cubic feet) / .748 = \$1.577 / 1,000 gallons
TWELVE MONTH TEST PERIOD: November 2003 through October 2004				
SUPPLIER	GALLONS PURCHASED DURING TEST PERIOD			
City of Winchester	140,883,689			
TOTAL	140,883,689			
SUPPLIER	COST AT NEW RATE	COST AT OLD RATE		
City of Winchester	\$376,928.81	\$222,173.58		
TOTAL	\$376,928.81	\$222,173.58	=	INCREASED WATER COST \$154,755.23
TOTAL GALLONS SOLD FOR THE TEST PERIOD :				113,392,596
Increased Water Cost / (total gallons sold / 1000) = Purchased Water Adjustment Factor				
	\$154,755.23	/	113,392,596 / 1000	= 1.364773694
				ROUNDED 1.36
	Sold	Purchased	Sold	Purchased
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
TOTAL				

Wuetcher, Jerry (PSC)

From: Deborah Eversole [Deborah.Eversole@skp.com]
Sent: Tuesday, December 27, 2005 10:04 AM
To: Wuetcher, Jerry (PSC)
Cc: John Rompf; Kent Hatfield; wdballard@bellsouth.net; Carryn Lee
Subject: East Clark's Response to Staff Proposal
Attachments: ltr to Wuetcher revised.pdf

Attached is the response of East Clark County Water District to Staff's proposed interim rate solution. If you have questions, please do not hesitate to contact me.

Attachment 5

S	T	O	L	L	K	E	E	N	O	N	&	P	A	R	K	L	L	P
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

2650 AEGON CENTER | 400 WEST MARKET STREET | LOUISVILLE, KENTUCKY 40202-3377

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DEBORAH T. EVERSOLE
502-568-5770
Deborah.Eversole@skp.com

December 22, 2005

Gerald Wuetcher, Esq.
Acting General Counsel
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

VIA ELECTRONIC MAIL

***Re: PSC Case No. 2004-00455
Response to Staff Proposal***

Dear Mr. Wuetcher:

This is to thank the Commission Staff for its efforts to ensure East Clark County Water District's ("East Clark") financial viability by providing for an interim solution to its rate shortfall over the past months and to respond to Staff's proposal, pursuant to the telephonic conference with the parties to this case, to recalculate East Clark's purchased water adjustment rates originally set in this case pursuant to Orders dated December 22, 2004 and January 6, 2005. East Clark wishes to accept Staff's current proposal, with modifications, as an interim solution only, pending a decision on the merits of the issues before the Commission in Case No. 2005-00322, *East Clark County Water District v. Winchester Municipal Utilities Comm'n*.

Specifically, East Clark will agree, on an interim basis, to charge the rates specified by Staff during the telephonic conference, with the following modifications:

- 1. East Clark should be permitted to charge Winchester Municipal Utilities ("WMU") at least the rate WMU charges to it, plus a 29% markup, to which it is explicitly entitled by the parties' 1999 Contract, and to adjust its other ratepayers' rate increase accordingly.¹**

¹ Effective January 1, 2005, WMU increased its rate to East Clark from \$1.18 per 100 cubic feet to approximately \$2.06 per 100 cubic feet, which is \$2.75 per 1,000 gallons. This large rate increase was filed without a cost of service study or other cost support of any kind. The parties' Contract requires, at Section 8, that rates be adjusted "according to cost of service methodology."

Gerald Wuetcher
December 22, 2005
Page 2

The rate proposed by Staff to be charged by East Clark to WMU is significantly lower even than the Contract rate. WMU itself has represented to the Commission that the 29% markup over its rate to East Clark is the proper rate to be charged to it by East Clark. As WMU put it in its Brief in Case No. 2005-00264, *East Clark County Water District's Proposed Revisions to its Wholesale Water Service Rate*, at 3 ("Winchester Brief"),

Regarding compensation by WMU to East Clark for repurchase of water, the 1999 Agreement provides at Paragraph 14 as follows:

The price to be paid for water repurchased by WMU pursuant to this paragraph shall initially be one and 24/100 dollars (\$1.24) per hundred cubic feet, and shall be increased or decreased at the same time and in the same proportion that the price paid by ECCWD to WMU for water under Paragraph 6 of this Agreement is increased or decreased.

Historically, East Clark has charged WMU a 29% markup over the price it pays WMU for the water which WMU repurchases from East Clark. This markup rate was determined by taking the \$1.24 initial contract rate for water repurchased by WMU from East Clark and dividing it by the 96 cents per 100 cubic feet rate for water which East Clark pays [sic] WMU for water purchased.

[Winchester Brief at 3].

WMU claims that the 29% markup is, in fact, what it had paid to East Clark since January of this year.

Thus, even WMU has not argued that it is entitled to a rate lower than the 29% markup specified by the parties' Contract. As East Clark has explained in previous pleadings to the Commission, WMU itself has violated that Contract by, among other things, charging East Clark its new out-of-county, retail, declining block rate instead of the cost-based, volumetric wholesale rate which would permit simple calculation of the 29% markup. However, on an interim basis, pending resolution of this and other issues pending in East Clark's Complaint before the Commission, East Clark should at least receive the 29% markup over the rate it actually pays.

To establish the proper rate, East Clark requests Commission Staff to set an average rate currently paid by East Clark to Winchester² and to add the 29% markup to that rate. WMU's current practice of re-averaging the rates paid by East Clark at intervals, and changing the rate it therefore is willing to pay East Clark, creates confusion and administrative problems. As a second alternative – although it is not East Clark's preferred alternative – East Clark is willing to calculate the 29% markup each month using WMU's declining blocks and performing the cubic feet to gallons conversion calculation.

East Clark also requests that, after the 29% markup rate to be charged to WMU on an interim basis is set, Staff recalculate the purchased water adjustment amount that must be paid by its other customers, and that East Clark be given explicit authority to recover WMU's fair share of the Kentucky River Authority fees charged to East Clark by WMU as a line item on its bills to WMU.

2. East Clark wishes to accept the interim rates, modified as suggested herein, on a going-forward basis only.

While East Clark accepts Staff's proposal to raise its ratepayers' rates on an interim basis, adjusted as requested herein, East Clark objects to the proposal that it impose an additional surcharge upon its ratepayers to recover arrearages it believes are owed to it by WMU. If retroactive rate adjustments are to be made, they should not be unilateral. East Clark continues to urge the Commission to review Winchester's rate; to specify a reasonable rate that Winchester may charge to East Clark; and to invalidate Winchester's unlawful rate as charged since January 1, 2005. At that point, East Clark's rate to Winchester should be set at 29% above Winchester's rate, as the parties' Contract specifies, and a true-up between these parties, retroactive to January 1, 2005, required.

This acceptance with modifications is not to be construed as a waiver of East Clark's position on any of the issues in Case No. 2005-00322. Certainly it is not an admission that East Clark's ratepayers are obligated to continue to subsidize the City of Winchester's fire protection, local distribution, or other retail services, or that the first step in ultimately resolving the issues between East Clark and Winchester should be

² As East Clark has explained in previous pleadings, the declining block rate is inappropriately applied by Winchester at six separate service connections. Thus, only by averaging the different per-unit charges for the block rates charged at all six meters can the "rate" paid by East Clark be calculated. In its Complaint filed in Case No. 2005-00322, East Clark stated that the average rate per one hundred cubic feet it had actually paid WMU through July of 2005 was \$2.06. Converted to gallons, the rate is \$2.75 per thousand.

Gerald Wuetcher
December 22, 2005
Page 4

anything other than the investigation of Winchester's imposition of its out-of-city, declining block, retail rate upon East Clark, which was filed without any cost support. Finally, it is not an admission that the Commission's Orders approving East Clark's imposition of its retail rate upon Winchester are less valid, or more subject to retroactive recalculation, than the Orders approving Winchester's out-of-city, declining-block retail rates to East Clark in Case No. 2004-00506, *Proposed Rate Adjustment of Wholesale Water Service Rate of Winchester Municipal Utilities* (Final Order dated December 17, 2004).

Once again, East Clark expresses its appreciation for Staff's efforts to ensure that East Clark remains financially whole pending resolution of the issues pending in Case No. 2005-00322.

Sincerely yours,
Deborah T. Eversole

Counsel to East Clark County
Water District

Cc: John Rompf
William Ballard