



Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

February 11, 2008

Hon. Jeffrey D. McFarland
City of North Middletown
P.O. Box 69
North Middletown, Kentucky 40357

Re: Case No. 2008-00051
City of North Middletown

Dear Mayor McFarland:

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,


A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

gw
Enclosure
cc: Parties of Record

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2008-00051

FROM: Brent Kirtley 
Manager, Tariffs Branch

DATE: February 11, 2008

RE: Telephone Conversation with Betsy Frasier

On or about February 6, 2008, I spoke by telephone with Betsy Frazier, City Clerk of the City of North Middletown. Commission Staff had previously requested information from North Middletown regarding its water purchases for the 12-month period prior to its proposed adjustment to its wholesale rates. A copy of this request is attached. Ms. Frazier advised that for the 12-month period ending December 31, 2007, North Middletown had purchased 86,322,750 gallons of water from Kentucky-American Water Company and had sold a total of 70,617,300 gallons to its wholesale and retail customers.

Attachment

cc: Parties of Record

Wuetcher, Jerry (PSC)

From: Wuetcher, Jerry (PSC)
Sent: Thursday, January 24, 2008 3:53 PM
To: northmiddletown@yahoo.com
Cc: hwatson3@earthlink.net
Subject: Purchase Water Adjustment

Importance: High

Attachments: 068.pdf; _PWA Worksheet_.pdf

Ms. Frazier:

Attached is a copy of PSC Regulation 807 KAR 5:068, which addresses purchase water adjustments. This regulation is specifically referenced in North Middletown's contract with Judy Water Association. I have also attached a copy of a worksheet that spells out how to determine the purchase water adjustment factor when a wholesale supplier increases its wholesale rate.

Commission Staff needs the following the information from North Middletown: Total Gallons Sold (Wholesale and Retail) for the 12-month period ending 1 December 2007; Total Gallons Purchased from KAWC for the 12-month period ending 1 December 2007. If North Middletown can provide a breakdown by month, that information would also help. I respectfully request that North Middletown provide this information no later than January 31, 2008.

The PWA regulation allows a utility to recover not only for the increased cost of water actually sold, but also the increased cost of water related to line losses associated with those water sales. Accordingly, North Middletown's proposed adjustment may be understated and its contract with Judy Water Association may require a larger increase than that requested.

If you have any questions, please contact me.

Sincerely,

Gerald E. Wuetcher
Assistant General Counsel
Public Service Commission of Kentucky
(502) 564-3940, Extension 259
(502) 229-6500 (cell)
gerald.wuetcher@ky.gov



068.pdf (23 KB)



_PWA
Worksheet_.pdf (10 K)

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	Gallons Purchased 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.)

North Middletown

PURCHASED WATER ADJUSTMENT

<u>SUPPLIER</u>	<u>NEW RATE</u> (per 1,000)	<u>OLD RATE</u> (per 1,000)
Ky-Am	\$2.6838	\$2.1570

TWELVE MONTH TEST PERIOD:

<u>SUPPLIER</u>	<u>GALLONS PURCHASED</u> <u>DURING TEST PERIOD</u>
Ky-Am	
TOTAL	0

<u>SUPPLIER</u>	<u>COST AT</u> <u>NEW RATE</u>	<u>COST AT</u> <u>OLD RATE</u>				<u>INCREASED</u> <u>WATER COST</u>
Ky-Am	\$0.00	\$0.00				
TOTAL	\$0.00	\$0.00	-	=		\$0.00

TOTAL GALLONS SOLD FOR THE TEST PERIOD :