

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BLACK	)	CASE NO.
MOUNTAIN UTILITY DISTRICT FOR A RATE	)	2022-00275
ADJUSTMENT PURSUANT TO 807 KAR 5:076	)	

ORDER

This matter arises upon Black Mountain Water District's (Black Mountain District) acceptance of Commission Staff's recommendation regarding the amount of the rate increase and the water loss reduction surcharge. Black Mountain District requested a revenue increase of \$90,450, or 5.54 percent<sup>1</sup> and a monthly water loss reduction surcharge for Division 1 customers of \$3.65 and Division 2 customers of \$7.91 for a period of 48 months.<sup>2</sup>

On March 15, 2023, the Commission Staff Report was issued and recommended a revenue increase of \$67,503, or 4.14 percent and a uniform water loss reduction surcharge of \$7.91 for both Division 1 and Division 2 customers.<sup>3</sup> The Commission Staff Report also recommended that the surcharge be implemented via a phased-in approach due to the proposed rate increase of 4.14 percent combined with the water loss reduction surcharge.<sup>4</sup> Commission Staff recommended that the proposed \$7.91 be phased-in over

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<sup>1</sup> Application Attachment 2 (filed Aug.22, 2022).

<sup>2</sup> Application Attachment 1 and Attachment 3 Black Mountain District's Response to Commission Staff's Second Request for Information (filed Nov. 14, 2022), Attachment 1d Rate Stud.xlsx {Bills with Surcharge DSC}.

<sup>3</sup> Commission Staff's Report at 7-8 (filed Mar. 15, 2023).

<sup>4</sup> Commission Staff's Report at 8.

three years resulting in \$2.63 in the first year, \$5.27 in the second year, and \$7.91 in the third year.<sup>5</sup> Commission Staff also recommended that the Commission establish a separate proceeding to monitor the surcharge and place strict controls over the use of the funds that will be collected from the surcharge and require Black Mountain District to develop a long-term plan to address its aging infrastructure and combat water loss within six months of the final Order in this proceeding.<sup>6</sup>

On March 24, 2023, Black Mountain District filed its response to the Commission Staff Report. Black Mountain District stated it disagreed with Commission Staff's recommendation to have the same water loss reduction surcharge amount for both Division 1 and Division 2 and removal of certain labor expenses, but did not wish to contest the adjustments in this proceeding. Black Mountain District further stated that it waived its right to request an informal conference or hearing in the case and concurred with the remainder of Commission Staff's recommendation.<sup>7</sup>

#### 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 find or recommendation to its customers.

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<sup>5</sup> Commission Staff's Report at 8.

<sup>6</sup> Commission Staff's Report at 8-9.

<sup>7</sup> Response to Staff Report (filed Mar. 14, 2023).

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 the application.

Commission regulation 807 KAR 5:001E, Section 4(5), provides that amendments 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

In this proceeding, Black Mountain District provided customer notice of a proposed 5.54 percent rate increase and a monthly water loss reduction surcharge of \$3.65 for District 1 and \$7.91 for District 2. In the Commission Staff Report, Commission Staff recommended a 4.14 percent rate increase and a \$7.91 water loss reduction surcharge for both Districts (to be phased in over a three-year period). When Black Mountain District accepted Commission Staff's proposed increase of 4.14 percent and a water loss reduction surcharge of \$7.91, Black Mountain District accepted rates that produced a total increase that exceeded the 110 percent threshold in 807 KAR 5:076, Section 11(3)(f). Consistent with 807 KAR 5:076, Section 11(3)(f), Black Mountain District amended its application on March 24, 2023, when it accepted the revenue increase proposed by Commission Staff that exceeded the 110 percent threshold as shown in the table below.

**Calculation of 4,000 Gallon Rate**

Description	Current	District Proposed	Commission Staff - Phase 1	Commission Staff - Phase 2	Commission Staff - Phase 3
<b>Division 1</b>					
First 2,000	\$ 25.13	\$ 26.52	\$ 26.17	\$ 26.17	\$ 26.17
Next 2,000	16.88	17.82	17.58	17.58	17.58
Debt Service Surcharge (Case No. 2015-0088)	4.26	4.26	4.26	4.26	4.26
Total / 4,000	46.27	48.60	48.01	48.01	48.01
Water Loss Surcharge	0.00	3.65	2.63	5.27	7.91
Total Bill	\$ 46.27	\$ 52.25	\$ 50.64	\$ 53.28	\$ 55.92

Commission Staff Increase v. District Proposed	73.08%	<b>117.22%</b>	<b>161.37%</b>
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<b>Division 2</b>					
First 2,000	\$ 25.13	\$ 26.52	\$ 26.17	\$ 26.17	\$ 26.17
Next 2,000	16.88	17.82	17.58	17.58	17.58
Total / 4,000	42.01	44.34	43.75	43.75	43.75
Water Loss Surcharge	0.00	7.91	2.63	5.27	7.91
Total Bill	\$ 42.01	\$ 52.25	\$ 46.38	\$ 49.02	\$ 51.66

Commission Staff Increase v. District Proposed	42.68%	68.46%	94.24%
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Pursuant to 807 KAR 5:001E, Section 4(5), Black Mountain District's amended application does not relate back to the date of filing of the original application and therefore, may not place the proposed rates into effect until the Commission approves those rates or six months from the date the application was amended, whichever comes first.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Black Mountain District should provide notice of the proposed rate increase and water loss reduction surcharge to its customers because Black Mountain District accepted rates that exceed the regulatory threshold for re-notice under 807 KAR 5:076, Section 11(3)(f). Within 14 days of the date of service of this Order, Black Mountain District should notify its customers of the proposed rates calculated in the Commission Staff's Report by publishing notice of the increase in a newspaper of general circulation

in its territory, placing an insert in bills rendered to its customers, or mailing a written notice to each customer. The Commission, on its own motion, grants Black Mountain District a deviation from Commission Regulation 807 KAR 5:076, Section 5(2)(b)(3)<sup>8</sup> to the extent that should Black Mountain District choose to accomplish its customer notice via publication in a newspaper of general circulation within its territory, it is only required to do so once. The customer notice shall contain the information set forth in the Appendix to this Order.

IT IS THEREFORE ORDERED that:

1. Black Mountain District's amended application is accepted as filed as of March 24, 2023.
2. Black Mountain 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 service of this Order, Black Mountain District shall notify its customers of the implementation of the rates calculated in the Commission Staff's Report by publishing a one-time notice of the increase in a newspaper of general circulation in its territory. The customer notice shall contain the information set forth in the Appendix to this Order.
4. Black Mountain District shall provide proof of publication of the notice to the Commission no later than 30 days from the date of this Order.

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<sup>8</sup> Commission regulation 807 KAR 5:076, Section 5(2)(b)(3) requires publication once a week for three consecutive weeks.

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

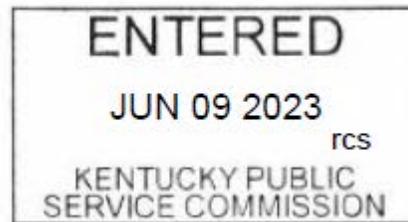
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PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner



ATTEST:

  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00275 DATED JUN 09 2023

Monthly Water Rates  
Phase 1

Division 1

First	2,000 Gallons	\$26.17 Minimum Bill
Over	2,000 Gallons	\$0.00879 Per Gallon

Debt Service Surcharge	\$4.26 Per Month
Water Loss Reduction Surcharge	\$2.63 Per Month

Division 2

First	2,000 Gallons	\$26.17 Minimum Bill
Over	2,000 Gallons	\$0.00879 Per Gallon

Water Loss Reduction Surcharge	\$2.63 Per Month
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Other Rates

Wholesale & Leak Adjustment Rate	\$0.00479 Per Gallon
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Monthly Water Rates  
Phase 2 – To Be Implemented One Year After Phase 1 Rates

Division 1

First	2,000 Gallons	\$26.17 Minimum Bill
Over	2,000 Gallons	\$0.00879 Per Gallon

Debt Service Surcharge	\$4.26 Per Month
Water Loss Reduction Surcharge	\$5.27 Per Month

Division 2

First	2,000 Gallons	\$26.17 Minimum Bill
Over	2,000 Gallons	\$0.00879 Per Gallon

Water Loss Reduction Surcharge	\$5.27 Per Month
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Other Rates

Wholesale & Leak Adjustment Rate	\$0.00479 Per Gallon
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Monthly Water Rates  
Phase 3 – To Be Implemented One Year After Phase 2 Rates

Division 1

First	2,000 Gallons	\$26.17 Minimum Bill
Over	2,000 Gallons	\$0.00879 Per Gallon

Debt Service Surcharge	\$4.26 Per Month
Water Loss Reduction Surcharge	\$7.91 Per Month

Division 2

First	2,000 Gallons	\$26.17 Minimum Bill
Over	2,000 Gallons	\$0.00879 Per Gallon

Water Loss Reduction Surcharge	\$7.91 Per Month
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Other Rates

Wholesale & Leak Adjustment Rate	\$0.00479 Per Gallon
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Nonrecurring Charges

Reconnection Fee	\$ 8.00
Reconnection Fee (After Hours)	\$43.00
Meter Cover Replacement	\$35.00
Meter Re-Read Charge	\$ 5.00
Broken Meter Lock	\$15.00
Returned Check Charge	\$ 2.00
Meter Test Charge	\$25.00

\*Robert K. Miller  
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\*Grant Cooper  
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