

PSC REGULATORY REQUIREMENTS

Kentucky Public Service Commission
2018 Water Training Seminar

Agenda

- Overview statutes and regulations for
 - Rates
 - Service
 - Construction – Certificate of Public Convenience and Necessity
 - Financing or Issuing Debt

THE BUCK STOPS WITH YOU

Why attend commissioner training?

- KRS 74.020: water district is administered by board of commissioners who **manage the affairs of the district**
- KRS 74.070: duties and powers



Commissioners are responsible for ensuring that the water district complies with the laws of the Commonwealth and Commission regulations

PSC



- 3-member independent administrative agency
- Quasi-legislative and quasi-judicial duties
- Regulate fair, just and reasonable utility rates and service

PSC Statutory Authority

KRS 278.040

- Exclusive jurisdiction over regulation of utility rates and service
- Adopt reasonable regulations to implement KRS Chapter 278
- Investigate utility methods and practices
- Require utilities to conform with laws of the state

Examples of PSC Regulatory Responsibility

- Rate increase or reduction
- Meter accuracy
- Consumer complaints
- Compliance with service and safety regulations
- Management audits
- Construction and operation of utility facilities
- Issuance or assumption of securities by a utility

Rates

KRS 278.010(12)

Any individual or joint **fare, toll, charge, rental, or other compensation for service rendered or to be rendered** by any utility, and any **rule, regulation, practice, act, requirement, or privilege in any way relating to such fare, toll, charge, rental, or other compensation**, and any schedule or tariff or part of a schedule or tariff thereof.

Rates

Methods for Setting and Adjusting Rates

- Tariff Filing
- Alternative Rate Adjustment
- Purchase Water Adjustment
- Non-recurring charges

Rates: Tariffs

- KRS 278.160: utility must file and adhere to tariff
- KRS 278.170: no rate or service discrimination
- KRS 278.180: rate changes
- 807 KAR 5:001: rules of procedures for proceedings
- 807 KAR 5:006: general procedures for providing service
- 807 KAR 5:011: tariff regulations

Rates: Tariffs

- KRS 278.160(1): Rates must be filed with PSC
 - Utility must file tariff with PSC showing
 - Schedule of rates for each class of customers
 - Terms and conditions under which service is provided to customers
- KRS 278.160(2): Filed Rate Doctrine:
 - Utility cannot charge or collect greater or less compensation for service rendered than its filed tariff
 - Customer cannot receive service that differs from the tariff

Rates: Tariffs

- KRS 278.170
 - No unreasonable preference between customers

Rates: Tariffs

- 807 KAR 5:006: General rules for providing service
 - Section 5: substantial service changes
 - Section 6: special requirements require PSC approval
 - Section 7: Meter readings and billing
 - Section 8: Deposits
 - Section 9: Nonrecurring charges
 - Section 11: Bill Adjustment
 - Section 15: Refusal or Termination of Service

Rates: Tariffs

➔ If it isn't in your tariff, you can't do it

➔ If it is in your tariff, you must do it

Rates: Tariffs

The screenshot shows the website for the Kentucky Public Service Commission. The browser address bar displays <http://psc.ky.gov/Home/UtilForms>. The page header includes the Ky.gov logo and the text "An Official Website of the Commonwealth of Kentucky". The main navigation bar contains links for "General", "Commission Records", "For Consumers", "Utility Information", "SiteMap", and "Contact Us". The "Utility Information" link is highlighted with a yellow circle. A dropdown menu is open under "Utility Information", with "Utility Forms" also highlighted by a yellow circle. Other items in the dropdown include "Conferences / Training", "Electric Generation and Transmission Siting Board", "Industry Specific Info", "Maps and GIS Data", "Master Utility Search", "Outage Reporting", and "Interest on Deposits".

Below the navigation bar, there are "Register" and "Login" buttons. The breadcrumb trail reads "Home > Utility Information > Utility Forms". A search bar is located on the right side of the page.

Utility Forms

Forms For All Utilities

- Meeting Request Form: (Word format)
- Adoption Notice: (PDF format) , (Word format)
- Alternative Rate Filing Forms
- Annual Report Forms
- Filing Requirements Check List
- Gross Revenue Report Forms
- Nonrecurring Charge Cost Justification: (PDF format) , (Word format)
- Notice of Election to use Electronic Filing Procedures: (PDF format)
- Open Records Request Form: (PDF Format) , (Word format)
- Tariff Forms:
 - Tariff Form 1 (sample) , (blank)
 - Tariff Form 2 General Page(PDF format) , General Page (Word format)
 - Tariff Form 3 Adoption(PDF format) , Adoption (Word format)
- Uniform System of Accounts
- Subpoena Form: (PDF format)

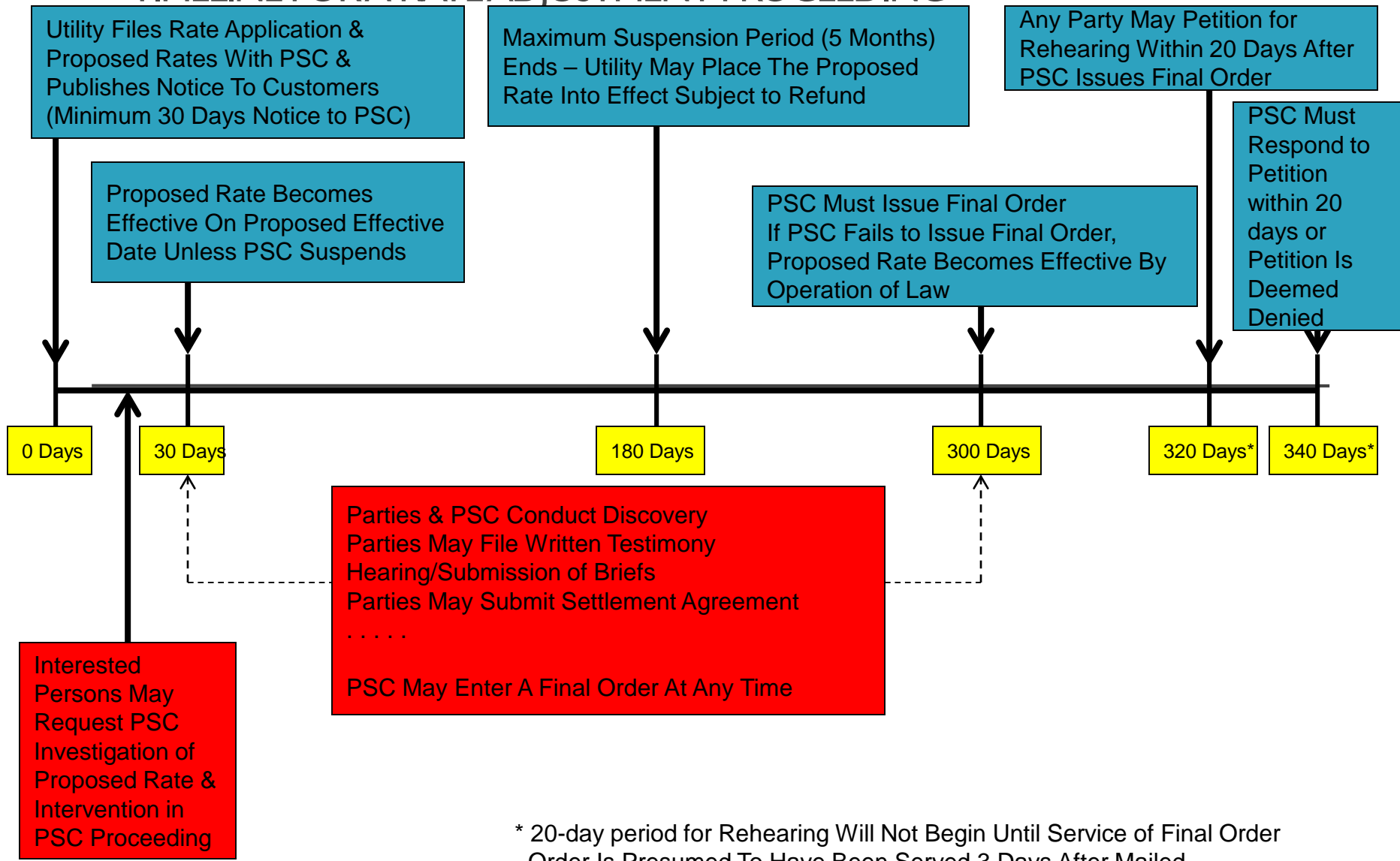
Rates: Tariffs

- KRS 278.180: Change in Rates
 - 30 days notice to Commission
 - File revised tariff sheets
 - State proposed changes
 - State time changed rates go into effect

Rates: Tariffs

- 807 KAR 5:011: filing requirements for tariffs
 - Customer Notice
 - Billing insert
 - Newspaper of general circulation
 - Newsletter distributed to all customers
 - Public posting in utility premises and web site
- Proposed rates become effective on date stated if:
 - Proper notice to public
 - Tariff sheet complies with 807 KAR 5:011
 - Commission does not suspend proposed rates per KRS 278.190

TIMELINE FOR A RATE ADJUSTMENT PROCEEDING



* 20-day period for Rehearing Will Not Begin Until Service of Final Order
Order Is Presumed To Have Been Served 3 Days After Mailed

Rates: Tariffs

- 807 KAR 5:00 I: Procedural rules for proceedings
 - Section 16: General Adjustment of Existing Rates
 - Application not deemed filed until meets all requirements
 - Section 17: Notice of General Rate Adjustment

Rates: Alternative Rate Filing

- 807 KAR 5:076
- Purpose: Simplified and Less Expensive Procedure
- Utilities need only file Simplified Application Form With PSC
- Eligibility:
 - Utilities with Gross Annual Revenues \leq \$5,000,000

Rates: Alternative Rate Filing

The screenshot shows the website for the Kentucky Public Service Commission. The browser address bar displays <http://psc.ky.gov/Home/UtilForms>. The page header includes the commission's logo and name, along with navigation links for 'Orders', 'Press Releases', and 'FOLLOW US ON twitter'. A main navigation bar contains links for 'psc.ky.gov', 'General', 'Commission Records', 'For Consumers', 'Utility Information', 'SiteMap', and 'Contact Us'. Below this are 'Register' and 'Login' buttons, and a search bar with the text 'Search All Files' and a 'Search' button. The breadcrumb trail reads 'Home > Utility Information > Utility Forms'.

Utility Forms

Navigation tabs: All Utilities, Electric, Natural Gas, Telecom, Water, Sewer

Forms For All Utilities

- Meeting Request Form: (Word format) [\[icon\]](#)
- Adoption Notice: (PDF format) [\[icon\]](#), (Word format) [\[icon\]](#)
- Alternative Rate Filing Forms**
 - ARF Form 1 - Alternative Rate Filing Application [\[icon\]](#)
 - ARF Form 3 - Statement of Disclosure [\[icon\]](#)
 - ARF Form 1 - Attachment 1 - Instructions [\[icon\]](#)
 - ARF Form 1 - Attachment SR - Reasons for Application [\[icon\]](#)
 - ARF Form 1 - Attachment CPR - Current and Proposed Rates [\[icon\]](#)
 - ARF Form 1 - Attachment SAO-G - Schedule of Adjusted Operations - Gas Utility [\[icon\]](#)
 - ARF Form 1 - Attachment SAO-S - Schedule of Adjusted Operations - Sewer Utility [\[icon\]](#)
 - ARF Form 1 - Attachment SAO-W - Schedule of Adjusted Operations - Water Utility [\[icon\]](#)
 - ARF Form 1 - Attachment OME-1 - Sewer Operations and Maintenance Expenses [\[icon\]](#)
 - ARF Form 1 - Attachment RR-DC - Revenue Requirement Calculation Form - Debt Coverage [\[icon\]](#)
 - ARF Form 1 - Attachment RR-OR - Revenue Requirement Calculation Form - Operating Ratio Method [\[icon\]](#)
 - ARF Form 1 - Attachment BA-DB - Billing Analysis Form - Declining Block Rates Instructions [\[icon\]](#)
 - ARF Form 1 - Attachment BA-FR - Billing Analysis Form - Flat Rates [\[icon\]](#)
- Annual Report Forms
- Filing Requirements Check List

Rates: Alternative Rate Filing

- 807 KAR 5:076
 - Section 3: Record upon which decision made
 - Section 4: Application
 - Section 5: Notice to customers
 - Section 6: Notice to Commission
 - Section 7: Effective Date of Proposed Rates

Rates: Alternative Rate Filing

- 807 KAR 5:076
 - Section 13: Role of non-attorneys
 - Authorized water district personnel may:
 - file application
 - responses to requests for information
 - appear at conferences
 - BUT Attorney must represent at hearing (if held)

Rates: Purchased Water Adjustment

- KRS 278.015
 - Adjust rates to reflect wholesale supplier increase without PSC prior approval
- 807 KAR 5:068
 - File application within 20 days of adjustment
 - Notice to customers
 - File revised tariff sheet within 20 days of Commission order approving proposed rates

Rates: Purchased Water Adjustment

The screenshot shows the website for the Kentucky Public Service Commission (psc.ky.gov). The page is titled "Utility Forms" and features a navigation menu with categories: All Utilities, Electric, Natural Gas, Telecom, Water, and Sewer. Under the "Water" category, there is a section for "Water Specific Forms" which includes a list of documents. The document "Purchased Water Adjustment (Water Districts and Associations)" is highlighted with a yellow oval. Below the list, there is a text box providing information about incident reporting, including a link to "Water Incident Notification Guidelines" and "Incident Reporting Regulations - Section 27".

Home > Utility Information > Utility Forms

Utility Forms

All Utilities Electric Natural Gas Telecom Water Sewer

Water Specific Forms

- Average Meter Connection Expense Cost Justification (Tap Fee): (PDF format) [↗](#), (Word format) [↗](#)
- PSC Guidance on Municipal Utility Rate Adjustment (letter of 12/18/98) (PDF format) [↗](#)
- Purchased Water Adjustment (Privately Owned Companies): (PDF format) [↗](#), (Word format) [↗](#)
- Purchased Water Adjustment (Water Districts and Associations): (PDF format) [↗](#), (Word format) [↗](#)
- Quarterly Water Meter Testing Report: (PDF format) [↗](#), (Excel format) [↗](#)
- Water Storage Requirement Deviation Request: (PDF format) [↗](#), (Word format) [↗](#)
- Water Use & Loss Calculations: (Excel format) [↗](#), Components of a Water Loss Prevention Plan [↗](#)
- Tariff Samples
- Incident Reporting:

For use by utilities notifying the PSC of specific incidents pursuant to regulatory requirements.
Members of the Public reporting incidents or hazardous situations please call 911 or your local emergency responders

- Water Incident Notification Guidelines [↗](#)
- Incident Reporting Regulations - Section 27: <http://www.lrc.ky.gov/kar/807/005/006.htm>

Rates: Nonrecurring charges

- 807 KAR 5:011 Section 10
 - Documentation
 - Cost justification
 - Public notice
 - Statement why revisions were not included in most recent rate case and should not be deferred until next general rate case
- Only enough revenue to pay expenses incurred

Service

807 KAR 5:006: general rules for providing service

- Section 10: Customer complaints
- Section 11: Bill adjustment and monitoring usage
- Section 14: Customer Relations
- Sections 17 – 19: Meter Testing
- Section 26: Inspection of Systems
- Section 27: Reporting Accidents
 - **WITHIN 2 HOURS** CALL OR EMAIL THE PSC
 - CALL **502-782-7904** OR EMAIL **PSC.Water.Notice@ky.gov**

Service

807 KAR 5:066: general rules for water utilities

- Section 2: Information provided to customers
- Section 3: Water quality
- Section 4: Continuity of service
- Section 5: Water pressure
- Section 7: Construction standards
- Section 11: Extension of service
- Section 12: Service Connections
- Section 15: Meter accuracy requirements

Construction

KRS 278.020 - Certificate of Public Convenience and Necessity

- Utility cannot **construct** any **plant, equipment, property or facility** until obtain obtained certificate from the Public Service that public convenience and necessity requires the construction
- Exception: extensions in the ordinary course of business

Construction

What is an extension in the ordinary course of business?

Extension that does not

- Create wasteful duplication
- Conflict with existing service
- Involve sufficient capital outlay to materially affect utility's current financial condition
- Result in increased charges to customers

807 KAR 5:001 Section 15(3)

Construction

PSC Considerations for issuing CPCN

- Need for the Project
- Reviews Other Alternatives
 - Water Supply – Treatment Plant or Purchase?
 - Line Sizes
 - Treatment Options
- Cost/Benefit Analysis
- Preference for Least Cost

Financing

- KRS 278.300 – no utility can borrow funds without Commission approval
 - **Exception:** does not apply to notes/loans with terms of 2 years or less
 - Commission has 60 days to act once application filed
 - May be continued for good cause
- Standard: Proper purpose/Effect on Utility's Financial Integrity

Financing

What is evidence of indebtedness?

- Note
- Bond
- Installment Purchase Contract
- Water Purchase Agreement (Maybe)
- Assumption of Other's Obligations/Debt

Questions?