



PSC

Discussion: Cautionary Tales

Kentucky Public Service Commission
2018 Water Training Seminar



Cautionary Tales: a discussion of current issues involving water districts in show cause hearings and investigations.



Agenda

- Overview Hot Topics
 - DEVIATIONS
 - SHOW CAUSE: Financing or Issuing Debt
 - HEARINGS: ARF, COMPLAINTS, TARRIFS
 - INVESTIGATIONS: Operations & Infrastructure



Water Storage Deviation Issues

- 807 KAR 5:066, Section 4(4) requires a water district to have storage equal to the average daily consumption of the District.
- 807 KAR 5:066, Section 18 allows deviation for good cause shown.
- Often water district X, who purchases water from water district Y will apply a deviation saying, “Water District X cannot meet its storage requirements, but Water District Y can meet its own storage requirements and ours as well.”



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- In these cases, it is best to be prepared to submit with your deviation application, a written agreement between Water District X and Water District Y which addresses, at minimum
 - the amount of storage allocated for use of Water District X
 - The duration of the agreement which includes any renewal periods
 - Rights and obligations of the parties concerning the allocation, including during an emergency



- SHOW CAUSE: Financing or Issuing Debt
 - Case Studies-
 - 2017-00176 & 2017-00467-ARF filing with hearing and discovered debt obtained without approval that led to show cause and board resigned;
 - 2017-00469- debt obtained without approval found during rate case led to show cause hearing



Financing

KRS 278.300 – No utility shall issue any securities or evidences of indebtedness...until it has been authorized to do so by order of the Commission. **Exception:** does not apply to notes/loans with terms of 2 years or less, renewals not to exceed 6 years

- Commission has 60 days to act once application filed.
- May be continued for good cause.
- Standard: Proper purpose/Effect on Utility's Financial Integrity
- Representative cases, discussion of recent decisions and liability.



Financing

What is evidence of indebtedness?

Note

Bond

Installment Purchase Contract

Water Purchase Agreement (Maybe)

Assumption of Other's Obligations/Debt



- HEARINGS: ARF, COMPLAINTS, TARRIFS
 - 2017-00070-Alternative Rate Filing that went to hearing over the disputed rate of depreciation and issue of benefits. Utility never amended its application, but “supplemented”. Fees were more than the disputed amount of depreciation.



- HEARINGS: ARF, COMPLAINTS, TARRIFS
 - 2017-00316-Complaint case that went to “Formal Conference” and ended up settling.
 - 2017-00417-Tarriff Filing- Back way of rate increase on regulated utility via municipality
 - Way the utility presents evidence to PSC.
 - Fees were excessive.



- INVESTIGATIONS: Operations & Infrastructure
 - 2016-00142 & 2018-00017-long term investigation into operations, filing for ARF and emergency rate increase, hearings and new board trying to clean-up.
 - 2018-00068-investigation into feasibility of merger based upon emergency response to line breaks



- Candid with PSC Staff
 - Utility should make their case for the rate they are asking for. PSC doesn't "give money" Ratepayers pay.
 - PSC staff required to get evidence in the record.
 - Utilities should have policies that promote clear record keeping that keeps the utility accountable.



- Commissioners
 - “That is the way we’ve always done it” = NO Excuse.
 - Educate yourself on decisions. Ask questions.
 - If you employ attorneys, understand that the utility/ratepayers are responsible for paying the fee and you responsible for managing the direction of litigation costs .



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- Commissioners need polices that
 - Address the unpopular/political problems.
 - Address periodic rate increases.
 - Address periodic infrastructure assessments.



Questions???