

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PURCHASED WATER ADJUSTMENT OF)
MUHLENBERG COUNTY WATER DISTRICT) CASE NO. 6948-1

O R D E R

On January 26, 1984, Muhlenberg County Water District ("Muhlenberg") filed its application with the Public Service Commission ("Commission") seeking approval of a purchased water adjustment clause and authority to adjust its rates in accordance with that clause.

Muhlenberg's last general rate adjustment was granted on February 10, 1978, in Case No. 6948, Application of Muhlenberg County Water District for a Certificate of Convenience and Necessity. At that time, the wholesale rate charged by Muhlenberg's supplier, Central City Municipal Water and Sewer System ("Central City"), was \$.397 per 1,000 gallons. Central City has since implemented two rate increases. Muhlenberg has requested that both increases be considered in this case on the basis that no previous applications have been made for consideration of these increases and it can no longer absorb the increases.

The Commission, having reviewed the evidence of record and being advised, is of the opinion and finds that:

(1) The purchased water adjustment clause proposed by Muhlenberg is in compliance with 807 KAR 5:067, Purchased Water Adjustment Clause, is in the best interest of Muhlenberg and its customers and should be approved.

(2) Muhlenberg's supplier, Central City, increased the wholesale rate for water from \$.397 per 1,000 gallons to \$.487 in October, 1979, and to \$.891 effective September 1, 1983.

(3) Muhlenberg presently has pending before the Commission a request for a general rate adjustment (Application of Muhlenberg County Water District for a General Adjustment of Rates and Revision of Rates, Case No. 9019). In that case, there have been several serious questions raised concerning the financial integrity of Muhlenberg to such extent that the Commission is of the opinion that this matter should be considered as part of that case and not as a separate proceeding. Consolidation of these cases will allow the Commission to more accurately determine the validity of the financial condition of Muhlenberg and set reasonable levels of rates.

(4) The purchased water adjustment requested by Muhlenberg should be denied at this time, but Muhlenberg may file a motion for interim rate relief as a part of Case No. 9019 in accordance with the guidelines in Attachment 1 to this Order, if the need for relief from increased water costs is evident.

IT IS THEREFORE ORDERED that the purchased water adjustment clause filed by Muhlenberg be and it hereby is approved effective on and after the date of this Order.

IT IS FURTHER ORDERED that for future application of Muhlenberg's purchased water adjustment clause, the base rate for purchased water shall be:

<u>Supplier</u>	<u>Rate</u>
Central City Municipal Water and Sewer System	\$.891 per 1,000 gallons

IT IS FURTHER ORDERED that the purchased water adjustment requested by Muhlenberg be and it hereby is denied.

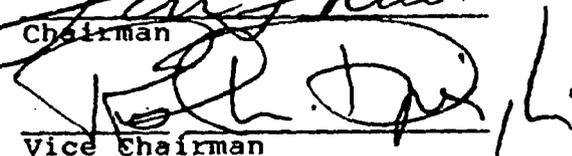
IT IS FURTHER ORDERED that this case be and it hereby is consolidated into Case No. 9019 now pending before this Commission.

IT IS FURTHER ORDERED that within 30 days of the date of this Order, Muhlenberg shall file its revised tariff sheets setting out the purchased water adjustment clause approved herein.

Done at Frankfort, Kentucky, this 27th day of April, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Acting Secretary

PSC Guidelines for Applications for Interim Rate Relief

1. As part of its application for rate relief, or as a subsequent motion, an applicant may request an interim order pursuant to KRS 278.190 when it proves that non-discretionary expenditures have been incurred, or prior to the expiration of five months will be incurred, that cannot reasonably be paid without materially impairing the credit or operations of the utility.

2. As part of its application or as subsequent motion, the request must include, at the minimum, the following information:

(a) Prefiled testimony supporting the non-discretionary expenditures which have necessitated the interim rate request as well as testimony addressing any and all cost savings and productivity measures instituted by the applicant in response to these expenditures. Include details of any extraordinary items occurring during the base period which affect revenue and/or expense used to support the need for interim relief.

(b) Verifiable proof that such expenditures have or will be incurred in the time frame set out in paragraph 1 above.

(c) A monthly cash flow analysis showing the effects of 2(a) and 2(b) above for each month prior to the expected final order in applicant's general rate case.

(d) Proposed rates to recover the additional revenue required, developed in accordance with the most recently approved rate design structure.

3.(a) The hearing for interim rate relief normally will be scheduled the fourth week after the application therefor has been received. Public notice of the hearing must be made by the applicant pursuant to Commission regulations.

(b) At such hearing, proof and cross-examination will normally be limited to matters relevant to the issues stated in paragraphs 1 and 2 above.

4. Due to the expeditious and interlocutory nature of the hearing for interim rate relief, the use of additional information requests is impractical and will be allowed only for good cause shown.

5. The burden of proof that the conditions in paragraphs 1 and 2 above exist rests solely with the applicant. The Commission will not consider as a part of any interim rate relief pro forma

adjustments which are clearly outside its established rate-making policy and may, on its own motion, deny said application with or without hearing, if these conditions are not met.

6. The Commission expects to issue an interim order within three weeks after the hearing. Any rate relief granted will be subject to refund, will be in the form of a summary decision and order and will not be considered to be a final adjudication on any of the issues presented at the hearing or included in the summary decision. All issues involved therein will be addressed in the Commission's final order and evidence related thereto may be presented at the subsequent full hearing on the general rate increase, which will be treated as a de novo hearing.