

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BOONE COUNTY WATER) CASE NO.
DISTRICT FOR AN ADJUSTMENT OF RATES) 2002-00295

O R D E R

On October 29, 2002, Boone County Water District (Boone District) requested a waiver from the requirements of Administrative Regulation 807 KAR 5:001, Section 10, Subsections (6)(u) and (6)(h). On November 8, 2002, Boone District revised its waiver request by adding Subsections (6)(p) and (7)(b). As grounds for its motion, Boone District states that information produced by compliance with those requirements would not assist the Commission in its review of the application and that the expense and time to produce the information would not be warranted. Upon review of the request and the application, it appears to the Commission as follows:

Boone District is a water utility operating under the jurisdiction of this Commission. Boone District has no water production facilities and currently purchases its total water requirements from the Northern Kentucky Water District (Northern). As a result of an agreement between Boone District and Northern, which this Commission has approved,¹ Boone District has chosen to cease purchasing its total water requirements from Northern and to purchase them instead from the Boone-Florence Water Commission.

¹ Case No. 2000-00206, An Investigation of Boone County Water District's Decision to Change Water Suppliers and of the Amendments of Water Supply Agreements Between Northern Kentucky Water Service District and Boone County Water District and the City of Florence, Kentucky (Ky. PSC Nov. 9, 2000).

Boone-Florence Water Commission was formed by Boone District and the city of Florence for the purpose of securing a reliable water supply for their respective systems. The Boone-Florence Water Commission will purchase its water from Cincinnati and, under their agreement, the Boone-Florence Water Commission will become Boone District's exclusive supplier. Boone District's obligation to take water from Boone-Florence Water Commission will not begin until Boone-Florence Water Commission begins receiving water from Cincinnati.

When the agreement takes effect, Boone District's cost of water will increase from \$1.29 per 1,000 gallons to \$2.65 per 1000 gallons. To cover the higher cost of water, Boone District submitted an application for a rate increase on October 29, 2002. In its application and in a separate request, Boone District requested a waiver from Administrative Regulation 807 KAR 5:001, Sections 10(6)(u) and (6)(h), which require the filing of certain information in general rate cases when the proposed rates are supported by a historical test-year methodology. Specifically, Section 10(6)(u) requires applicants to file a cost-of-service study. Section 10(6)(h) requires a summary of the applicant's determination of its revenue requirements based on return of net investment rate base, return on capitalization, interest coverage debt service coverage, or operating ratio, with supporting schedules. Subsequently, Boone District expanded its request to include Administrative Regulation 807 KAR 5:001, Sections 10(6)(p) and (7)(b). Section 10(6)(p) requires an applicant to file the prospectus of its most recent bond offering, and Section 10(7)(b), requires the filing of an applicant's capital construction budget.

The regulations from which Boone District is requesting a waiver set forth information that applicants in general rate cases are required to produce. Boone District's application is, however, only intended to recover the increase in its cost of water resulting from its change of supplier. Therefore, documentation supporting all of Boone District's expenses may not be required. Nonetheless, the Commission must still determine whether Boone District has the financial ability to absorb a portion of the proposed increase in purchased water expense, and whether the net revenues that the proposed rates will produce are excessive. Documentation relevant to these issues is, therefore, necessary.

This Commission being otherwise sufficiently advised, IT IS HEREBY ORDERED that:

1. Boone District's request to deviate from Administrative Regulation 807 KAR 5:001, Sections 10(6)(u), (6)(p), and (7)(b), is granted.
2. Boone District's request to deviate from Administrative Regulation 807 KAR 5:001, Section 10(6)(h), is denied.

Done at Frankfort, Kentucky, this 11th day of December, 2002.

By the Commission

ATTEST:


Executive Director