

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED INITIAL RATE FOR)	
WHOLESALE WATER SERVICE)	CASE No. 2002-00420
BY GREEN HILLS WATER DISTRICT)	

O R D E R

On October 31, 2002, Green Hills Water District (Green Hills) filed a tariff revision requesting Commission approval of its proposed initial wholesale water rate. The Commission issued an Order on November 27, 2002 finding that additional review of the filing was necessary.

The tariff, as proposed by Green Hills, is for the purpose of establishing a wholesale water rate to the Hyden-Leslie Water District (Hyden-Leslie) for service to a distribution system in Leslie County to serve approximately 45 customers.

An informal conference was held on February 7, 2003. Green Hills and Hyden-Leslie agreed to the charge of \$3.45 per 1,000 gallons subject to refund. Green Hills was in the process of a general rate case before the Commission (Case No. 2003-00049¹). The Commission entered an Order on February 25, 2003 combining Green Hills rate case with its wholesale rate application. Hyden-Leslie was made a party to the case, and all parties were given 20 days to file any objection to consolidation of the two cases. On March 19, 2003, Green Hills objected to the

¹ Case No. 2003-00049, The Application of Green Hills Water District For an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure For Small Utilities.

Commission's February 25, 2003 Order of consolidation. Consequently, the cases remained separate.

On May 12, 2003, the Commission entered its first data request. Hyden-Leslie provided a response to the data request on May 20, 2003, and Green Hills gave its response on May 21, 2003.

The Commission's Staff Report was entered on August 4, 2003, allowing all parties 10 days in which to provide written comments regarding the Staff Report or request a hearing or informal conference. On August 28, 2002, Green Hills requested an informal conference. An informal conference was held on September 8, 2003. Green Hills pointed out that there was an error in Staff's calculations of the wholesale rate. Commission Staff then adjusted its calculation of Green Hills' wholesale water rate and found that the rate should be \$2.54 per 1,000 gallons.

Green Hills filed a schedule at the informal conference, in which it proposed a different rate than that proposed by Staff. Green Hills noted that it was currently experiencing a line loss of approximately 30 percent. Green Hills' past four annual reports list, respectively, line loss of 15 percent in 1999, 15 percent in 2000, 16 percent in 2001, and 24 percent in 2002.

807 KAR 5:066, Section 6(3), deals with unaccounted-for water loss for rate-making purposes, and limits a utility's unaccounted-for water loss to 15 percent of total water produced and purchased. However, a utility in a rate case filing or by separate filing may request that an alternative level of reasonable unaccounted-for water loss be established by the Commission. A utility proposing an alternative level has the burden of demonstrating that the alternative level is more reasonable than the 15 percent level

prescribed. Green Hills provided no evidence to support its claim that 30 percent line loss is reasonable. Therefore, the alleged 30 percent line loss will not be considered as an alternative level. Since the rate approved herein is less than the rate proposed by Green Hills, which Hyden-Leslie has been charged, Green Hills should refund to Hyden-Leslie that amount which exceeds the rate approved herein. Green Hills may refund the necessary amount over the same period of time in which the original amount was collected. Green Hills should notify the Commission when the refund has been completed.

The Commission, after considering the evidence of record and being otherwise sufficiently advised, finds that the rates contained in the Staff Report adjusted for the calculation error, attached hereto as Appendix A, are the fair, just, and reasonable rates for Green Hills.

IT IS THEREFORE ORDERED that:

1. The rates contained in Appendix A hereto are approved for service rendered by Green Hills on and after the date of this Order.
2. Within 30 days of the date of this Order, Green Hills shall file with the Commission a revised tariff setting out the rates approved herein.
3. Green Hills shall refund to Hyden-Leslie the difference between the rate previously charged and the rate approved herein, and shall notify the Commission when the refund has been completed.
4. One year from the effective date of this Order, Green Hills shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Done at Frankfort, Kentucky, this 7th day of October, 2003.

By the Commission

ATTEST:


Executive Director

Case No. 2002-00420

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2002-00420 DATED OCTOBER 7, 2003

The following rates and charges are prescribed for the customers in the area served by Green Hills Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

Wholesale Water Rate	\$2.54 per 1,000 gallons
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