

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NORTH LOGAN        )  
WATER DISTRICT FOR                        )  
AN ADJUSTMENT OF RATES                 )       CASE NO. 2003-00094

O R D E R

On March 27, 2003, North Logan Water District ( North Logan ) filed an application with the Commission to increase its water rates pursuant to KRS 278.180 and KRS 278.190.

North Logan purchased its water requirements from the city of Russellville, Kentucky prior to connecting to the Logan-Todd Regional Water Commission. On or after March 20, 2001, Russellville increased its rate for wholesale water service to North Logan from \$1.55 per 1,000 gallons to \$2.45 per 1,000 gallons. Alleging that the adjustment was unlawful, North Logan filed with the Commission a formal complaint against Russellville.<sup>1</sup> While its complaint was pending, North Logan applied for a rate adjustment, pursuant to 807 KAR 5:068, to adjust its rates to reflect increases in its purchased water from Russellville. The Commission authorized this adjustment on September 25, 2001.<sup>2</sup>

---

<sup>1</sup> East Logan Water District and North Logan Water District v. City of Russellville, Ky., Case No. 2001-00212 (Ky.PSC July 3, 2002).

<sup>2</sup> North Logan Water District, Case No. 2001-00285 (Ky.PSC Sept. 25, 2001).

On July 3, 2002, the Commission entered a final ruling on North Logan's complaint against Russellville. Finding that Russellville's rate of \$2.45 was unlawful because Russellville's legislative body had not approved the rate and because Russellville had failed to comply with the procedures set forth in 807 KAR 5:011, it directed Russellville to refund all monies collected in excess of the rate of \$1.55 per 1,000 gallons. Russellville subsequently sought judicial review of the Commission's Order.<sup>3</sup> On October 7, 2002, Franklin Circuit Court denied Russellville's request to stay any refund of the excess rates. Russellville subsequently refunded the over-collection as required by the July 3, 2002 Order.

In December 2001, Russellville filed revised tariff sheets with the Commission to amend its wholesale rate from \$1.55 to \$2.45. The Commission initially suspended the proposed adjustment, but subsequently allowed the proposed rate to become effective subject to refund. On October 21, 2002, the Commission denied Russellville's proposed rate and approved a wholesale rate of \$2.24 per 1,000 gallons.<sup>4</sup> The Commission further directed Russellville to refund all amounts charged in excess of \$2.24 since July 3, 2002.<sup>5</sup>

807 KAR 5:068 permits a water district or water association to apply for a purchased water adjustment ( PWA ) to adjust its rates to reflect changes in the cost of

---

<sup>3</sup> City of Russellville, Ky. v. Public Service Commission, No. 2002-CI-001177 (Franklin Circuit Court).

<sup>4</sup> Case No. 2002-00023, Proposed Adjustment of the Wholesale Water Service Rate of Russellville, Kentucky (Ky.PSC Oct. 21, 2002). When the Commission entered its Order of October 21, 2002, it was silent on the issue of refunds. On November 4, 2002, the Commission amended its Order to require refunds.

<sup>5</sup> The October 21, 2002 Order, attached hereto as Appendix C.

water purchased from a water supplier. Section 2(3) of this regulation requires that a water district or water association that uses the PWA process must reduce its rates to reflect any decrease in a supplier's rate.

The rates set out in Appendix A reflect the decrease in cost of purchased water from Russellville of \$2.45 per 1,000 gallons to \$2.24 per 1,000 gallons. Any excess amount collected by North Logan for the period after October 21, 2002, the date of the Commission's Order in Case No. 2002-00023, to May 8, 2003 should be refunded to North Logan's customers. Based upon information and belief from North Logan staff, Commission Staff understands that all refunds have been made. The rates in Appendix B reflect the change in cost of purchasing water due to North Logan's switching its source of water supply on April 15, 2003 to Logan-Todd Regional Water Commission. The rates proposed by North Logan in its application were based upon incorrect current rates. North Logan misstated the second step in its rate design as \$9.43 per 1,000 gallons instead of \$9.45 per 1,000 gallons, resulting in a miscalculation.

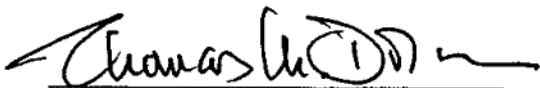
IT IS THEREFORE ORDERED that:

1. Within 60 days of the date of this Order, North Logan shall provide documented proof that it has made the refunds referenced herein.
2. The rates proposed by North Logan in its application are denied.
3. The rates set out in Appendix B are approved for bills issued on and after the date of this Order.
4. Within 10 days of the date of this Order, North Logan shall file with the Commission revised tariff sheets setting out the rates approved in Appendix B.

Done at Frankfort, Kentucky, this 9<sup>th</sup> day of May, 2003.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas H. (T) [unclear]", written over a horizontal line.

Executive Director

Case No. 2003-00094

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00094 DATED MAY 9, 2003

The following rates and charges should have been effective October 21, 2002 for the customers in the area served by North Logan Water District. All other rates and charges not specifically mentioned herein shall remain the same.

#### Monthly Rates

##### 5/8 x 3/4 Meter:

First 2,000 gallons	\$20.28 Minimum Bill
Next 2,000 gallons	9.14 per 1,000 gallons
Next 6,000 gallons	5.33 per 1,000 gallons
Next 15,000 gallons	4.98 per 1,000 gallons
Over 25,000 gallons	4.63 per 1,000 gallons

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00094 DATED MAY 9, 2003

The following rates and charges are prescribed for the customers in the area served by North Logan Water District for bills issued on or after the date of this Order. All other rates and charges not specifically mentioned herein shall remain the same.

#### Monthly Rates

##### 5/8 x 3/4 Meter:

First 2,000 gallons	\$22.26 Minimum Bill
Next 2,000 gallons	10.13 per 1,000 gallons
Next 6,000 gallons	6.32 per 1,000 gallons
Next 15,000 gallons	5.97 per 1,000 gallons
Over 25,000 gallons	5.62 per 1,000 gallons