

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT OF EAST) CASE NO. 2004-00455
CLARK COUNTY WATER DISTRICT)

O R D E R

On November 23, 2004, East Clark County Water District ("East Clark District") applied for approval to adjust its rates pursuant to KRS 278.015 and 807 KAR 5:068 to reflect an increase in the rates of its wholesale water supplier. On December 22, 2004, we approved certain revisions to East Clark District's rates. On January 6, 2005, we amended our earlier Order to reflect the Commission's approval of certain revisions in East Clark District's rate design.

Because of recent pleadings submitted in Cases No. 2005-00264¹ and No. 2005-00322,² the Commission has reexamined its earlier findings in this case and has discovered some questionable practices in the calculation of East Clark District's adjusted rates that require us to re-open this proceeding. Despite the requirement of Administrative Regulation 807 KAR 5:066, Section 1, that the adjustment "be added to all the utility's rate schedules on a per unit basis regardless of customer class" and the Commission's own admonishment that "revisions to a water district's rate design or additions to a water district's existing rate schedule" were not permissible in a purchased water adjustment proceeding, the Commission calculated an adjustment

¹ Case No. 2005-00264, East Clark County Water District's Proposed Revisions to Its Wholesale Water Service Rate (initiated).

² Case No. 2005-00322, East Clark County Water District v. City of Winchester (Ky. PSC filed Aug. 1, 2005).

without consideration of East Clark District's existing wholesale service rate and permitted wholesale transactions to be converted to "retail transactions." Moreover, our re-examination of the water district's application raises concerns about the accuracy of the information that East Clark District supplied in support of its application.

The Commission intends to expedite its review of East Clark District's purchased water adjustment. To this end, we have directed East Clark District to respond to written interrogatories regarding the purchased water adjustment. Upon East Clark District's submission and Commission Staff's review of those responses, Commission Staff will arrange a telephone conference call to discuss those responses and resolve any lingering questions regarding the purchased water adjustment.

As Winchester Municipal Utilities ("WMU") is a party in the two other Commission proceedings and as the issues in those proceedings are related to the issues in this proceeding, the Commission finds that WMU should be made a party to this proceeding. We further find that the intervention of WMU is likely to present issues or to develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding

IT IS THEREFORE ORDERED that:

1. This proceeding is re-opened and shall be returned to the Commission's active docket.
2. Within 7 days of this Order, East Clark District shall file with the Commission an original and 5 copies of its written responses to the interrogatories set forth in Appendix A to this Order.
3. WMU is granted full intervention status in this proceeding.

4. All documents that the Commission requires to be filed with the Commission shall be served upon all other parties.

5. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

6. Upon East Clark District's submission of responses to the interrogatories set forth in Appendix A and Commission Staff's review of those responses, Commission Staff shall immediately schedule a telephone conference call to discuss East Clark District's purchased water adjustment and any necessary revisions in that adjustment.

Done at Frankfort, Kentucky, this 20th day of September, 2005.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and flourishes, positioned above a horizontal line.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2004-00455 September 20, 2005

1. State whether East Clark District calculated its proposed purchased water adjustment using the wholesale water service rate contained in its filed rate schedules.

If no, explain why not.

2. State the size(s) of meters through which East Clark District provides water service to WMU.

3. In his letter of November 29, 2004, William Ballard stated that “the City of Winchester will not [sic] longer sell water to the district at a wholesale rate. Therefore, the district can no longer resell water to the city at a wholesale rate.”

a. State whether Mr. Ballard is referring to a legal restriction or prohibition that prohibited East Clark District from continuing to make sales to WMU at the wholesale rate contained in its filed rate schedule.

b. (1) If yes, identify the legal authority that prevented such sales.

(2) If no, state the reasons why WMU's termination of its wholesale rate prevented East Clark District from continuing to use its wholesale service rate.

4. In his letter of November 29, 2004, Mr. Ballard stated that WMU did not object to East Clark District discontinuing its wholesale rate and charging for water service at its retail rates.

a. State the basis for Mr. Ballard's statement.

b. Provide all memoranda, correspondence, and electronic mail messages in which East Clark District and WMU discussed East Clark District's proposed discontinuance of its wholesale water service rate.

c. Describe all telephone conversations between East Clark District and WMU regarding East Clark District's proposed discontinuance of its wholesale water service rate. This description should include the date of the conversations, the persons involved in the conversation, and the title or position of the persons conversing.

5. State the number of delivery points through which East Clark District purchases water from WMU.

6. State the number of delivery points through which East Clark District sells water to WMU.

7. If East Clark District sells water to WMU through multiple metering points, describe how, prior to January 1, 2005, East Clark District billed WMU for water sold.

8. If East Clark District sells water to WMU through multiple metering points, describe how East Clark District currently bills WMU for water sold. More specifically, state whether East Clark District aggregates water usage to determine the total bill or determines a bill for each delivery point.

9. Describe how East Clark District converted WMU's purchases under a wholesale rate to purchases under the new 4-inch meter retail rate. Show all calculations and state all assumptions used to make this conversion.

10. Describe how WMU billed East Clark District for water service prior to January 1, 2005. More specifically, state whether WMU aggregates water usage to determine the total bill or determines a bill for each delivery point.

11. Describe how WMU currently bills East Clark District for water service. More specifically, state whether WMU aggregates water usage to determine the total bill or determines a bill for each delivery point and combines these bills.

12. The table below compares East Clark District's water purchases for the period from November 1, 2003 to October 31, 2004 as listed in its annual reports and in its application for purchased water adjustment. For each month in which a discrepancy exists, explain the discrepancy.

EAST CLARK DISTRICT'S WATER PURCHASES		
Month	Annual Report	PWA Application
November 2003	11,025,000	11,648,665
December 2004	10,839,000	10,392,605
January 2004	11,066,000	12,809,716
February 2004	10,940,000	10,934,230
March 2004	11,147,000	9,811,332
April 2004	11,223,000	11,251,424
May 2004	12,794,000	11,761,628
June 2004	12,186,000	12,571,072
July 2004	12,465,000	9,217,340
August 2004	11,927,000	9,509,847
September 2004	11,159,000	8,979,444
October 2004	11,222,000	8,248,550
Total (gallons)	137,993,000	127,135,853
Total (Cu. Ft.)	18,445,796	16,994,500

13. State whether East Clark District agrees with the statement that Administrative Regulation 807 KAR 5:066 does not authorize a water utility to make changes in its rate design as part of a purchased water adjustment proceeding. If East Clark District does not agree, explain why it does not.

14. Complete the table below to indicate the amount of monthly sales that East Clark District used to calculate its proposed purchased water adjustment.

EAST CLARK DISTRICT'S WATER SALES		
Month	Annual Report	PWA Application
November 2003	9,753,000	
December 2004	9,803,000	
January 2004	9,376,000	
February 2004	10,333,000	
March 2004	9,255,000	
April 2004	9,783,000	
May 2004	10,851,000	
June 2004	12,176,000	
July 2004	10,572,000	
August 2004	11,146,000	
September 2004	10,666,000	
October 2004	9,679,000	
Total (gallons)	123,393,000	
Total (Cu. Ft.)	16,494,185	