

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)
WATER SERVICE CORPORATION OF) CASE NO. 2013-00179
KENTUCKY)

ORDER

Water Service Corporation of Kentucky (“Water Service”) has applied pursuant to 807 KAR 5:067 to adjust its rates to reflect an expected increase in its purchased water costs resulting from its water supplier’s proposed rate adjustment. It proposes to adjust its rates on June 2, 2013.

Administrative regulation 807 KAR 5:067 permits a privately owned utility to implement a purchased water adjustment to recover the actual costs of water purchased when the utility’s supplier increases its rate and the utility determines that it is necessary to adjust its rates to pass the increase on to its customers. In this instance, Water Service’s supplier – Fern Lake Company – has applied to the Commission pursuant to 807 KAR 5:076 to adjust its rates for water service. In its notice of the proposed adjustment, Fern Lake Company states that the proposed rates will become effective June 1, 2013.

Having reviewed Water Service’s application, the Commission finds that the application is premature and should be dismissed. Notwithstanding Fern Lake Company’s notice, Fern Lake Company’s proposed adjustment will not become effective on June 1, 2013. Administrative Regulation 807 KAR 5:076, Section 7(1) provides that an applicant applying for a rate adjustment under 807 KAR 5:076 “shall

not place the proposed rates into effect until the commission has issued an order approving those rates or six (6) months from the date of filing of its application, whichever occurs first.” As Fern Lake Company filed its application with the Commission on May 1, 2013, the earliest date on which it may place its proposed rates into effect, unless the Commission orders otherwise, is December 1, 2013.

The Commission does not intend to issue any Order permitting Fern Lake Company’s proposed rates to become effective prior to Commission Staff’s submission of a report on the proposed rates. We have directed Commission Staff to file such report with the Commission on or before July 15, 2013. As no adjustment in Fern Lake Company’s rates will occur before July 15, 2013, Water Service is currently without legal authority to revise its rates on June 2, 2013.

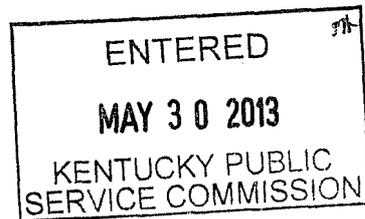
We find little merit in permitting Water Service’s application to remain on the Commission’s docket while Fern Lake Company’s application is pending. As our final decision on Fern Lake Company’s application is unknown, the correctness and accuracy of Water Service’s proposed adjustment is in question. Administrative Regulation 807 KAR 5:067, Section 3(1), moreover, requires the calculation of the purchased water adjustment to be based upon purchases and sales for a 12-month period ending within 90 days of the application. This requirement ensures that the adjustment is based upon the most recent information. If a significant period of time passes before a final ruling on Fern Lake Company’s application, as is likely, then the purchase and sales information used to make the final calculation of Water Service’s purchased water adjustment will be dated and stale.

Finally, holding the case in abeyance renders meaningless the notice of the proposed purchased water adjustment that Water Service provides to its customers. Depending upon the final action on Fern Lake Company's proposed rates, the purchased water adjustment may require recalculation and may result in rates that differ from those set forth in Water Service's present notice. Moreover, if the purchased water adjustment does not become effective for several months, the notice is likely to become stale and have failed to achieve the purpose of alerting customers to an upcoming increase and preventing customer surprise.

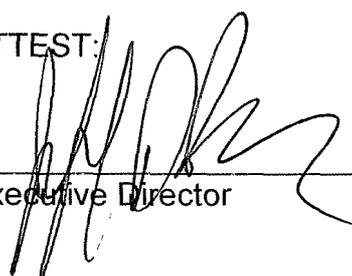
The Commission recognizes that Water Service has an interest in the proceedings regarding Fern Lake Company's proposed adjustment. We encourage Water Service to monitor the progress of that proceeding to ensure that its application for purchased water adjustment is timely filed and addressed.

IT IS THEREFORE ORDERED that Water Service's application is dismissed without prejudice.

By the Commission



ATTEST:


Executive Director

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