

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED TREATED SEWAGE ADJUSTMENT)
FILING OF KNOX COUNTY UTILITY) CASE NO. 2013-00223
COMMISSION)

ORDER

On June 13, 2013, Knox County Utility Commission ("Knox County") applied to adjust its rates for sewer service pursuant to KRS 278.015. Having reviewed the record and being otherwise sufficiently advised, the Commission finds that:

1. Knox County purchases sewage treatment services from Barbourville Utility Commission ("Barbourville").
2. On May 1, 2012, Barbourville increased its monthly service charge for sewage treatment services from \$9.35 to \$12.16 per month and its volumetric wholesale rate from \$3.47 per 1,000 gallons to \$4.51 per 1,000 gallons.
3. Knox County proposes to adjust its rates to reflect the increase in its supplier's rate for sewage treatment sewer.
4. On or about July 14, 2004, Barbourville executed a Sanitary Sewer Resolution and Agreement with Knox County Utility Commission that provided that Barbourville Utilities Commission would charge a rate of \$2.55 per 1,000 gallons of wastewater for sewer service.
5. The Commission has no record of any subsequent agreement or any request for adjustment of this wholesale rate.

6. A municipal utility may not change or revise a rate that it assesses a public utility for wholesale utility service until a hearing has been held before the Commission.¹

7. No hearing has been held on any proposed revision to Barbourville's wholesale sewer service rate of \$2.55 per 1,000 gallons of wastewater for sewer service.

8. As no hearing has been held on Barbourville's proposed revision, as KRS 278.200 requires, its rate adjustment is not effective or lawful, may not be assessed, and may not serve as the basis for a purchased treated sewage adjustment.²

IT IS THEREFORE ORDERED that:

1. Knox County's proposed treated sewage adjustment is denied.
2. The tariff sheets that reflected Knox County's sewage service rates as of June 1, 2013 remain in effect.

¹ KRS 278.200 provides:

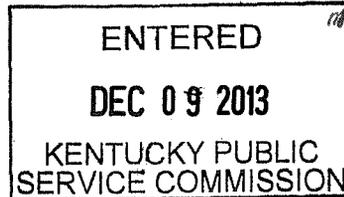
The commission may, under the provisions of this chapter, originate, establish, change, promulgate and enforce any rate or service standard of any utility that has been or may be fixed by any contract, franchise or agreement between the utility and any city, and all rights, privileges and obligations arising out of any such contract, franchise or agreement, regulating any such rate or service standard, shall be subject to the jurisdiction and supervision of the commission, but no such rate or service standard shall be changed, nor any contract, franchise or agreement affecting it abrogated or changed, until a hearing has been had before the commission in the manner prescribed in this chapter.

See also Simpson County Water District v. City of Franklin, 872 S.W.2d 460, 463 (Ky. 1994) ("where contracts have been executed between a utility and a city, . . . KRS 278.200 is applicable and requires that by so contracting the City relinquishes the exemption and is rendered subject to PSC rates and service regulation").

² The Commission's Executive Director has advised Barbourville of the requirements of KRS 278.200. Letter from Jeff Derouen, Executive Director, Public Service Commission, to Lewis Hopper, Chairman, Barbourville Utility Commission (Aug. 1, 2013).

3. Nothing in this Order shall be construed to prevent Knox County from applying for a purchased treated sewage adjustment for any adjustment in Barbourville's wholesale sewage treatment service rate that becomes effective after the date of this Order.

By the Commission



ATTEST:

Aaron D. Bunnell
Executive Director

Carolyn Smith
Assistant Superintendent
Knox County Utility Commission
P. O. Box 1630
Barbourville, KY 40906