



Case No. 2009-00367

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September 10, 2009

RECEIVED

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**PUBLIC SERVICE
COMMISSION**

HAND DELIVERED

Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Re: Kentucky American Water – Sewer Rate Case

Dear Mr. Derouen:

We write to formally notify the Commission of Kentucky American Water's ("KAW") intention to file a rate case in the near future for the purpose of adjusting the rates charged for its sewer operations. Although KAW's sewer operations do not come close to triggering the four-week advance notice requirement applicable to utilities with greater than \$1,000,000 annual revenue (as contemplated by 807 KAR 5:001, Section 10(2) and 807 KAW 5:011, Section 8(1)), please accept this letter as KAW's notice that it intends to file a sewer rate case no sooner than four weeks from the date of this letter.

We also have two procedural requests related to the forthcoming case. 807 KAR 5:001, Section 8(2) requires the filing of an original and ten paper copies of all applications. We request permission to file and serve the application and all subsequent filings in the new case in electronic medium only. We therefore request a deviation from the regulation and ask the Commission to accept this case in electronic form only for both filing and service purposes.

We also request a deviation pursuant to 807 KAR 5:076, Section 7 so that KAW can utilize the alternative rate adjustment procedure for small utilities for its sewer operations. 807 KAR 5:076, Section 1 permits utilities with 500 or fewer customers or \$300,000 or less in gross annual revenue to request rate adjustments via the relatively inexpensive and streamlined procedure outlined in that regulation. As indicated in the 2008 annual report for sewer operations that KAW filed with the Commission on March 31, 2009, KAW's sewer operations serve customers in Owenton, Kentucky, in Owen County, and at Rockwell Village in Clark County. The annual report also shows that KAW serves 699 sewer customers and that the gross annual revenue for sewer operations was \$312,483. Thus, annual revenue for 2008 exceeded the \$300,000 "small utility" limit by approximately four percent. For the same reasons that led to

the creation of the alternative rate adjustment procedure in the first place (simplicity and cost savings), KAW requests a deviation from the \$300,000 maximum limit and asks that it be permitted to utilize the small utility rate adjustment procedure.

The Commission has repeatedly allowed utilities to use the alternative rate adjustment procedure even when the number of customers and gross annual revenues exceed the maximum allowed by regulation. For example, in Case No. 89-103, the Commission allowed Valley Gas, Inc., to use the alternative procedure. At the time of that case, the regulatory maximum amounts were 400 customers and \$200,000 in annual revenues (the regulation was amended in 1996 to increase the maximum limits to the current 500 customers and \$300,000 in annual revenue). Valley Gas had 505 customers and \$249,898 in annual revenue, yet the Commission approved a deviation. The Commission approved similar deviations for Valley Gas in Case Nos. 92-407 and 95-231.

The Commission has continued to approve deviations since the regulation was amended to increase the maximums to 500 customers and \$300,000 in annual revenues. In Case No. 96-617, the Commission approved a deviation allowing East Knox County Water District to use the alternative procedure when it had 1093 customers and \$352,111 in annual revenues. The Commission also approved similar deviations for: Ledbetter Water District in Case No. 2003-00237; Black Mountain Utility District in Case No. 2004-00379; and Garrison-Quincy-Ky-O-Heights Water District in Case No. 2007-00476. In all but one of these cases, the utilities have exceeded the limits of the regulation by well over four percent. In fact, in Case No. 2004-00376, the utility had over 1400 customers and \$567,765 in annual revenue the year before it filed its case. Copies of all of these orders are enclosed.

In the cases mentioned above, the Commission approved the requested deviations to allow the utilities to use "a quicker and less costly alternative to a standard rate case."¹ Overall, KAW is not a small utility, but its sewer operations are roughly the same size as small utilities that have been allowed to use the alternative rate procedure. Please also note that the maximum limits in the regulation for "small utilities" have not increased in over 13 years. If another increase were to occur similar in size to the last increase of \$100,000 for the annual revenue limit, KAW's sewer operations would be well under the limit.

Use of the alternative rate procedure will result in rate case expense savings that will directly benefit KAW's sewer customers. Given the small size of KAW's sewer operations, the alternative rate procedure is perfectly suited for KAW, its sewer customers, any intervenors, the Commission and the Commission Staff. Therefore, KAW respectfully requests that it be allowed to use the alternative rate procedure.

As always, please contact me if you have any questions or concerns about these issues.

¹ Case No. 2003-00237, July 21, 2003 Order, p. 1.

Jeff Derouen
September 10, 2009
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Very truly yours,

Stoll Keenon Ogden PLLC

A handwritten signature in black ink, appearing to read "Lindsey W. Ingram III". The signature is written in a cursive style with a horizontal line at the end.

Lindsey W. Ingram III

Enclosures

cc: David E. Spenard
A.W. Turner, Jr.
Gerald E. Wuetcher

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF)
VALLEY GAS, INC.)

CASE NO.
89-103

O R D E R

On April 28, 1989, Valley Gas, Inc. ("Valley Gas") filed an application to adjust its general gas rates. The application was filed pursuant to Commission Regulation 807 KAR 5:076, which is the alternative rate filing procedure intended for use by small utilities. Valley Gas does not meet the minimum requirements for using this procedure in that it has in excess of 400 customers and \$200,000 in annual revenues. In its filing, however, Valley Gas sought a deviation from these minimum filing requirements in order to use this procedure.

Valley Gas has 505 customers and annual revenues from 1988 gas sales of \$249,898.57. Further, Valley Gas has 1987 and 1988 Annual Reports on file with the Commission as required by 807 KAR 5:076 and use of the alternative rate filing procedure is feasible for this utility. Valley Gas in all other respects, substantially meets the requirements for the alternative filing procedure. Therefore, the Commission finds that good cause exists to grant the deviation and Valley Gas should be allowed to use the alternative rate filing procedure for small utilities.

BE IT SO ORDERED.

Done at Frankfort, Kentucky, this 18th day of May, 1989.

ATTEST:

PUBLIC SERVICE COMMISSION


For the Commission

Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF VALLEY GAS, INC.)
FOR AN ADJUSTMENT OF RATES PURSUANT)
TO THE ALTERNATIVE RATE FILING) CASE NO. 92-407
PROCEDURE FOR SMALL UTILITIES)

O R D E R

On September 18, 1992, Valley Gas, Inc. ("Valley Gas") filed with the Commission a letter advising the Commission of its intent to file a rate application and requesting that it be permitted to file the application pursuant to 807 KAR 5:076. Valley Gas further states that it was previously granted permission to use the alternative rate filing procedure in its last rate case.¹ 807 KAR 5:076 applies to utilities with 400 or fewer customers, or \$200,000 or less of gross annual revenues. Valley Gas does not meet the minimum requirements for using this procedure in that it has in excess of 400 customers and \$200,000 in annual revenues.

Valley Gas has 490 customers and annual revenues of \$244,000. Valley Gas has 1990 and 1991 Annual Reports on file with the Commission as required by 807 KAR 5:076 and use of the alternative rate filing procedure is feasible for this utility. Valley Gas, in all other respects, substantially meets the requirements for the alternative filing procedure. Therefore, the Commission finds

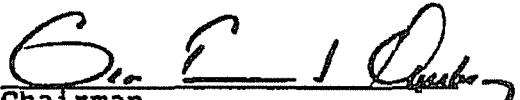
¹ Case No. 89-103, The Application of Valley Gas, Inc. for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure for Small Utilities.

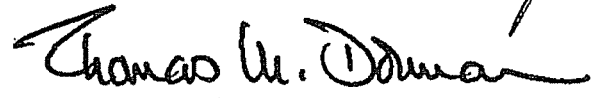
that good cause exists to grant the deviation and Valley Gas should be allowed to use the alternative rate filing procedure for small utilities.

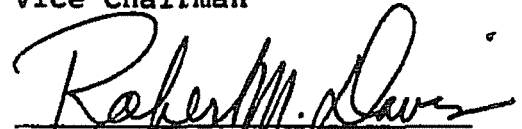
IT IS THEREFORE ORDERED that Valley Gas's request for a deviation from the requirements of 807 KAR 5:076 is hereby granted.

Done at Frankfort, Kentucky, this 1st day of October, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF VALLEY GAS, INC. FOR)
AN ADJUSTMENT OF RATES PURSUANT TO THE) CASE NO. 95-231
ALTERNATIVE RATE FILING PROCEDURE FOR)
SMALL UTILITIES)

O R D E R

On May 12, 1995, Valley Gas, Inc. ("Valley Gas") filed with the Commission a Motion to Use Alternative Rate Filing and To Use 1994 Financial Report. Valley Gas further states that it was previously granted permission to use the alternative rate filing procedure in its prior two rate cases.¹ 807 KAR 5:076 applies to utilities with 400 or fewer customers, or \$200,000 or less of gross annual revenues. Valley Gas does not meet the minimum requirements for using this procedure in that it has more than 400 customers and \$200,000 in annual revenues.

Valley Gas has 500 customers and annual revenues of \$277,000. Valley Gas has its 1994 Annual Report on file with the Commission as required by 807 KAR 5:076 and use of the alternative rate filing procedure is feasible for this utility. Valley Gas, in all other respects, substantially meets the requirements for the alternative filing procedure. Therefore the Commission finds that good cause

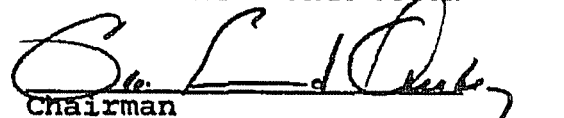
¹ Case No. 92-407, The Application of Valley Gas, Inc. for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities and Case No. 89-103, The Application of Valley Gas, Inc. for a Rate Adjustment Pursuant to the Alternative Rate Filing Procedure for Small Utilities.

exists to grant the deviation and Valley Gas should be allowed to use the alternative rate filing procedure for small utilities.

IT IS THEREFORE ORDERED that Valley Gas's request for a deviation from the requirements of 807 KAR 5:076 is hereby granted.

Done at Frankfort, Kentucky, this 25th day of May, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KNOX)
COUNTY WATER DISTRICT FOR AN)
ADJUSTMENT OF RATES PURSUANT TO) CASE NO. 96-617
THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

O R D E R

On December 19, 1996, East Knox County Water District ("East Knox Water") applied to the Commission for an adjustment of rates pursuant to Commission Regulation 807 KAR 5:076, the alternative rate filing procedure for small utilities. 807 KAR 5:076 applies to utilities with 500 or fewer customers or \$300,000 or less of gross annual revenues. By letter from the Executive Director dated December 20, 1996, East Knox Water was advised that it did not meet the minimum requirements for using this procedure in that it has more than 500 customers and \$300,000 in annual revenues. Subsequently, East Knox Water requested permission to deviate from the requirements of 807 KAR 5:076.

East Knox Water has 1093 customers and annual revenues of \$352,111. Its 1995 Annual Report is on file with the Commission as required by 807 KAR 5:076 and use of the alternative rate filing procedure is feasible for this utility. East Knox Water, in all other respects, substantially meets the requirements for the alternative rate filing procedure. Therefore, the Commission finds that good cause exists to grant the deviation and East Knox Water should be allowed to use the alternative rate filing procedure for small utilities.

IT IS THEREFORE ORDERED that East Knox Water's request for a deviation from the requirements of 807 KAR 5:076 is granted.

Done at Frankfort, Kentucky, this 9th day of January, 1997.

PUBLIC SERVICE COMMISSION

Paula K. Breakwell
Chairman

Ed G. [Signature]
Vice Chairman

B. J. Helton
Commissioner

ATTEST:

Don Mills
Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LEDBETTER)	
WATER DISTRICT FOR AN)	
ADJUSTMENT OF RATES PURSUANT)	CASE NO. 2003-00237
TO THE ALTERNATIVE RATE FILING)	
PROCEDURE FOR SMALL UTILITIES)	

O R D E R

Ledbetter Water District ("Ledbetter") has filed an application with the Commission for a rate adjustment. In that application Ledbetter seeks a deviation from 807 KAR 5:076, Section 1, to allow it to file its application using the alternative rate filing method, which provides small utilities a quicker and less costly alternative to a standard rate case.

807 KAR 5:076, Section 7, provides for a deviation from the regulation upon a showing of good cause. Ledbetter states in its filing that, if not for miscellaneous revenues and forfeited discounts, it would be under the threshold requirement of \$300,000 gross annual revenue. Because Ledbetter barely exceeds the revenue threshold of \$300,000 for alternative rate filings, the Commission finds that good cause exists to grant Ledbetter's request for deviation.

The Commission, being otherwise sufficiently advised, HEREBY ORDERS that Ledbetter is granted the requested deviation and Ledbetter's application shall be processed pursuant to the provisions of 807 KAR 5:076, Section 7.

Done at Frankfort, Kentucky, this 21st day of July, 2003.

By the Commission

ATTEST:


Executive Director

Case No. 2003-00237

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLACK MOUNTAIN UTILITY)
DISTRICT FOR AN ADJUSTMENT OF RATES) CASE NO.
PURSUANT TO THE ALTERNATIVE RATE FILING) 2004-00379
PROCEDURE FOR SMALL UTILITIES)

ORDER

On September 27, 2004, Black Mountain Utility District ("Black Mountain") applied to the Commission for authority to adjust its rates pursuant to Administrative Regulation 807 KAR 5:076, the alternative rate filing procedure for small utilities. In its filing, Black Mountain requested permission to file its rate application pursuant to 807 KAR 5:076 and to deviate from the requirements of that regulation.

Administrative Regulation 807 KAR 5:076 applies to utilities with 500 or fewer customers or \$300,000 or less of gross annual revenues. It provides a simplified and less expensive procedure by which small utilities may apply for rate increases. Black Mountain does not meet the threshold requirements for using this procedure in that it has more than 500 customers and more than \$300,000 in annual revenues. However, Black Mountain, in all other respects, substantially meets the requirements for the alternative filing procedure. Moreover, Black Mountain does not propose any revision to its general rates, but only seeks the approval of a surcharge on a portion of its system, the Putney District, to assist in maintaining a new water distribution main in that area. Therefore, given the limited nature of this request, the Commission finds that good

cause exists to grant the deviation and Black Mountain should be allowed to use the alternative rate filing procedure for small utilities.

IT IS THEREFORE ORDERED that Black Mountain's request to deviate from the requirements of 807 KAR 5:076 is granted.

Done at Frankfort, Kentucky, this 20th day of October, 2004.

By the Commission

ATTEST:



Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GARRISON-QUINCY-KY-)
O-HEIGHTS WATER DISTRICT FOR AN)
ADJUSTMENT IN RATES PURSUANT TO) CASE NO.
THE ALTERNATIVE RATE FILING) 2007-00476
PROCEDURE FOR SMALL UTILITIES)

ORDER

Garrison-Quincy-Ky-O-Heights Water District ("Garrison District") has applied to the Commission for authority to adjust its rates pursuant to Administrative Regulation 807 KAR 5:076, the alternative rate filing procedure for small utilities. In its filing, Garrison District requested permission to file its rate application pursuant to Administrative Regulation 807 KAR 5:076 and to deviate from certain requirements of that regulation.

Administrative Regulation 807 KAR 5:076 applies to utilities with 500 or fewer customers or \$300,000 or less of gross annual revenues. It provides a simplified and less expensive procedure by which small utilities may apply for rate increases. Garrison District does not meet the threshold requirements for using this procedure in that it has more than 500 customers and more than \$300,000 in annual revenues. However, Garrison District, in all other respects, substantially meets the requirements for the alternative filing procedure.

Administrative Regulation 807 KAR 5:001, Section 14, provides the Commission with the authority to permit deviations from its regulations for good cause shown.

Having reviewed the filing and being otherwise sufficiently advised, the Commission finds that good cause exists to grant the requested deviation and that Garrison District should be allowed to use the alternative rate filing procedure for small utilities.

IT IS THEREFORE ORDERED that Garrison District's request for permission to deviate from filing requirements set forth in Administrative Regulation 807 KAR 5:076 is granted.

Done at Frankfort, Kentucky, this 28th day of November, 2007.

By the Commission

ATTEST



Executive Director