

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

Electronic Application of Todd County Water)
District to Request for Permission to Deviate) Case No. 2020-00227
From 807 KAR 5:068, Section 2(2))

PETITION FOR DEVIATION

Todd County Water District (“TCWD”), in accordance with 807 KAR 5:068, Section 8, requests permission from the Public Service Commission to deviate from a portion of the requirements of 807 KAR 5:068, Section 2(2). In support of this request, TCWD states the following:

1. TCWD water district created under the authority of KRS Chapter 74. Its business address is 2201 New Hwy 68W, Elkton, KY 42220. TCWD can be contacted by email via the email address of its counsel set forth below.

2. TCWD is engaged in the distribution and sale of water in Todd County and the surrounding environs.

3. Logan-Todd Regional Water Commission (“Logan-Todd”) is TCWD’s sole supplier of treated water. On April 1, 2020, Logan Todd decreased its wholesale rate from \$3.91 to \$3.33 per 1,000 gallons.

4. TCWD has previously increased its rates through a Purchased Water Adjustment based on an increase from Logan-Todd. See, e.g., Case No. 2014-00012.

5. Pursuant to 807 KAR 5:068, Section 8, TCWD is requesting a deviation from the requirement in 807 KAR 5:068, Section 2(2), that states: “Upon a decrease in the supplier’s base

rate, a utility that has previously revised its rates pursuant to this administrative regulation shall decrease each of its rate schedules by a purchased water adjustment factor determined in accordance with Section 3 of this administrative regulation to pass through its decreased purchased water costs on a per unit basis regardless of customer classification.”

6. Administrative Regulation 807 KAR 5:068, Section 8 allows for deviations from the regulation when “good cause” is shown. TCWD believes that there is good cause to allow it not to file a purchased water adjustment for the following reasons:

7. As the Commission is aware, TCWD secured a contract to provide water to Novelis, a new automotive aluminum sheet manufacturing facility in the Water District’s service territory. In Case No. 2019-00180, the Commission recognized “the significant economic benefits that will accrue to Todd County and the surrounding area” for this facility.

8. In order to serve Novelis, TCWD secured funding from U.S.D.A.’s Rural Development for a waterworks improvement project. This loan is expected to close later this year.

9. Consistent with most funding from RD, the letter of conditions mandates that TCWD maintain certain minimum rates. These types of conditions help ensure that a borrowing utility has sufficient revenue to pay back the federal loans. See KRS 278.023. In Case No. 2019-00180, the Commission approved those minimum rates identified in the letter of conditions.

10. TCWD was also able to secure advantageous terms when refinancing debt with the Kentucky Rural Water Finance Corporation. In Case No. 2019-00434, the Commission authorized the Water District to borrow approximately \$2.5 million from KRWFC. As a part of

that order, the Commission also required TCWD to file a rate case within one year of the January 29, 2020, order.

11. TCWD intends on complying with the Commission's directive to file a new rate case no later than January 28, 2021. Although it has not finalized its plans with respect to the filing of rate case, TCWD may file the application in December 2020 or January 2021 because it may know more about Novelis's actual consumption after the Novelis facility is fully operational later this year.

12. The rate case application would include an adjustment to account for the decrease in purchased water expense related to Logan-Todd's decrease. This would accomplish the same goals as the purchased-water-adjustment regulation sets forth.

13. The public interest is promoted by granting this deviation request. TCWD's rates were changed in July 2019, and presumably will be changed again at the conclusion of the rate case. A change for a purchased water adjustment now would result in three rate changes in less than two years. Rate payers may get frustrated by these numerous changes.

14. Determining the appropriate rates in a rate case instead of a purchased water adjustment proceeding will ensure that the Commission's and TCWD's resources would not be wasted by multiple proceedings.

15. If the Commission were to require TCWD to reduce its rates now based on Logan-Todd's decrease, TCWD's rates would fall below the minimum rates required by RD's letter of conditions for the Novelis project. If TCWD attempts to close on the loan later this year with lower rates, the funding may be jeopardized

WHEREFORE, TCWD requests that the Commission approve its request for a deviation from the requirements of 807 KAR 5:068, Section 2(2), and approve TCWD's request to not file a purchased water adjustment.

Respectfully submitted,



M. TODD OSTERLOH
STURGILL, TURNER, BARKER & MOLONEY, PLLC
333 W. Vine Street, Suite 1500
Lexington, Kentucky 40507
Telephone No.: (859) 255-8581
tosterloh@sturgillturner.com

and

HAROLD MAC JOHNS
PO Box 746
Elkton, Kentucky 42220-0746
(270) 265-2912 (Phone)
(270) 265-2054 (Fax)
hmjohns@johnslawfirm.com

Counsel for TCWD

x:\wdox\clients\66222\0001\pleading\01306871.docx