

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

**ELECTRONIC APPLICATION OF )**  
**MOUNTAIN WATER DISTRICT FOR A ) CASE NO. 2022-00366**  
**GENERAL ADJUSTMENT OF WATER )**  
**RATES )**

**ELECTRONIC APPLICATION OF )**  
**MOUNTAIN WATER DISTRICT FOR A ) CASE NO. 2022-00367**  
**GENERAL ADJUSTMENT OF SEWER RATES )**

**MOTION FOR DEVIATION**

Pursuant to 807 KAR 5:001, Sections 5 and 22, Mountain Water District (“Mountain District”) moves for leave to deviate from 807 KAR 5:001, Section 16(4)(i) when submitting its applications for rate adjustment in the above-styled matters.

In support of its motion, Mountain District states:

1. Pursuant to the Public Service Commission’s Order of December 13, 2021 in Case No. 2021-00412, Mountain District must apply for a general adjustment of rates for its water and sewer operations no later than January 27, 2023.<sup>1</sup>

2. Mountain District has provided formal notice to the Public Service Commission of its intent to file applications for general rate adjustment using a historical test period.

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<sup>1</sup> *Electronic Application of Mountain Water District to Issue Securities in the Approximate Principal Amount of \$5,930,000 for the Purpose of Refinancing Certain Outstanding Obligations of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001*, Case No. 2021-00412 (Ky. PSC Dec. 13, 2021). The Public Service Commission originally ordered that the application for rate adjustment be filed by December 28, 2022. By its Order of December 20, 2022, the Public Service Commission extended the time period in which to file such applications to January 27, 2023.

3. 807 KAR 5:001, Section 16(4)(i) requires an application for general rate adjustment using a historical test period to contain “[a] reconciliation of the rate base and capital used to determine its revenue requirements.”

4. Mountain Water District is a water district organized pursuant to KRS Chapter 74. Neither rate base or capitalization method is an appropriate method for determining the revenue requirements of a water district. Kentucky courts have long recognized that neither method is employed to determine the reasonableness of a water district’s proposed revenue requirement. In *Public Service Commission v. Dewitt Water District*, 720 S.W.2d 725, 731 (Ky. 1986), the Kentucky Supreme Court stated:

It is important to remember that this case involves water districts which are nonprofit utilities organized under Chapter 74 of the Kentucky Revised Statutes. The owners and consuming ratepayers are essentially the same individuals because the districts are political subdivisions of county government. They have no private capital and no corporate investors who must be satisfied as to traditional profits. **Their rates do not generate a return on rate base. The water districts are permitted to earn net revenues based on a debt service formula or on an operating ratio computed in accordance with a percentage of operating expenses** [emphasis added].

5. The Public Service Commission has previously held that a utility applying for a general rate adjustment using a historical test period that intends to omit a reconciliation of the rate base and capital must file a motion for a deviation from 807 KAR 5:001, Section 16(4)(i).<sup>2</sup>

**WHEREFORE**, Mountain District respectfully requests that the Public Service Commission authorize it, when submitting its applications for rate adjustment in the above-styled

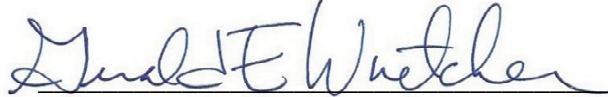
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<sup>2</sup> *Electronic Application of South Kentucky Rural Electric Cooperative Corporation for A General Adjustment of Rates, Approval of Depreciation Study, and Other General Relief*; Case No. 2021-00407 (Ky. PSC Jan. 10, 2022) at 3.

matters, to deviate from 807 KAR 5:001, Section 16(4)(i) and omit from its applications any reconciliation of the rate base and capital used to determine its revenue requirements.

Dated: December 30, 2022

Respectfully submitted,

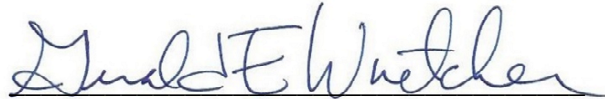


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#### **CERTIFICATE OF SERVICE**

In accordance with 807 KAR 5:001, Section 8 and the Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was transmitted to the Public Service Commission on December 30, 2022 and that no parties have been excused from electronic filing procedures.



*Counsel for Mountain Water District*