

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH LOGAN)	
WATER ASSOCIATION, INC. FOR AN)	CASE NO.
ALTERNATIVE RATE FILING PURSUANT TO 807)	2024-00203
KAR 5:076)	

ORDER

This matter arises from South Logan Water Association, Inc.'s (South Logan Water) application requesting an adjustment to its water rates pursuant to 807 KAR 5:076.

The application was tendered on July 1, 2024.¹

LEGAL STANDARD

Commission regulation 807 KAR 5:076, Section 9, states that “[t]he reasonableness of the proposed rates shall be determined using a twelve (12) month historical test period, adjusted for known and measurable changes, that coincides with the reporting period of the applicant’s annual report for the immediate past year.”

Commission regulation 807 KAR 5:076, Section 5, states in relevant part:

(4) Notice Content. Each notice issued in accordance with this section shall contain:

(a) The date the proposed rates are expected to be filed with the commission;

(b) The present rates and proposed rates for each customer classification to which the proposed rates will apply;

¹ South Logan Water’s application was not deemed filed on July 1, 2024, due to other deficiencies noted in the letter dated July 5, 2024.

(c) The amount the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply;

(d) The amount of the average usage and the effect upon the average bill for each customer classification to which the proposed rates will apply;

(e) A statement that a person may examine this application at the offices of (utility name) located at (utility address);

(f) A statement that a person may examine this application at the commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's Web site at <http://psc.ky.gov>;

(g) A statement that comments regarding the application may be submitted to the Public Service Commission through the commission's Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602;

(h) A statement that the rates contained in this notice are the rates proposed by (utility name) but that the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice;

(i) A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and

(j) A statement that if the commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the commission may take final action on the application.

Commission regulation 807 KAR 5:076, Section 17, provides the Commission with the authority to permit deviations from the regulations in 807 KAR 5:076 upon a showing of good cause. It further states that requests for deviation shall be submitted in writing by letter to the commission.

BACKGROUND

In Case No. 2022-00103, the Commission ordered South Logan Water to file an application for a general rate adjustment pursuant to 807 KAR 5:001, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076 no later than July 27, 2024.² On July 1, 2024,³ South Logan Water tendered an application with the Commission requesting an adjustment to its water rates pursuant to 807 KAR 5:076. In its application, South Logan Water used the calendar year ended December 31, 2022, as the historical test-year period for the application. In its application, South Logan Water provided a copy of the customer notice that proposed a 1.31 percent increase based on a 2022 historical test year.⁴

South Logan Water filed its 2023 Annual Report with the Commission on March 21, 2024.⁵ Although alternative rate adjustment applications require the use of the test-year corresponding to the most recently filed annual report, no motion was filed requesting a deviation to 807 KAR 5:076, Section 9. By letter dated July 5, 2024, South Logan Water was notified of five filing deficiencies in its application, four of which were due to the use of the incorrect test year.⁶ On July 15, 2024, South Logan Water filed a revised

² Case No. 2022-00103, *Electronic Application of South Logan Water Association, Inc. for a Certificate of Public Convenience and Necessity to Construct, Finance, and Increase Rates Pursuant to the Provisions of KRS 278.023* (Ky. PSC Jul. 27, 2022), Order at 5.

³ South Logan Water tendered its application on July 1, 2024. By letter dated July 5, 2024 (July 5, 2024 Letter), the Commission rejected the application for filing deficiencies.

⁴ Application, Attachment 1, unnumbered PDF page 8.

⁵ *Annual Report of South Logan Water to the Public Service Commission for the Year Ending December 31, 2023* (2023 Annual Report).

⁶ July 5, 2024 Letter, Items 1–4.

Depreciation Schedule using the 2023 test year,⁷ a revised Statement of Adjusted Operations and Revenue Requirements utilizing the 2023 test year,⁸ a Revised Billing Analysis utilizing the 2023 data,⁹ and an updated Statements of Disclosure in an attempt to cure the deficiencies identified in the July 5, 2024 letter.¹⁰ South Logan Water did not provide an updated customer notice using the 2023 test year.

Based on the updated financial information, South Logan Water's proposed increase of 1.31 percent was no longer accurate. South Logan Water did not provide an updated calculation of the percentage of increase with its revised financial information. However, the updated documentation provided in the July 15, 2024, filing, using a historical 2023 test year, reflects a proposed revenue increase significantly greater than 1.31 percent.

DISCUSSION

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that South Logan Water's application is deficient as it fails to meet the requirements of 807 KAR 5:076, Section 5(4). Commission regulation 807 KAR 5:076, Section 5(4)(b), requires the notice to contain present and proposed rates for each customer classification.¹¹ The original notice of proposed rates tendered by South Logan Water contained rates calculated based on the 2022 test year, instead of the updated 2023 test year. Since these rates are based on an erroneous test year, an updated

⁷ South Logan Water's Response to filing Deficiencies (filed July 15, 2024), Attachment 1.

⁸ South Logan Water's Response to Filing Deficiencies (filed July 15, 2024), Attachment 2.

⁹ South Logan Water's Response to Filing Deficiencies (filed July 15, 2024), Attachment 3.

¹⁰ South Logan Water's Response to Filing Deficiencies (filed July 15, 2024), Attachment 3.

¹¹ 807 KAR 5:076, Section 5(4)(b).

customer notice is needed using rates calculated using the correct test year. This updated notice will not only provide customers with the correct proposed rates, but also allow for customers to submit comments or interested parties to request intervention based on the correct information.

Therefore, the Commission finds that South Logan Water should file an updated notice of the proposed rates with the Commission and reissue customer notice pursuant to 807 KAR 5:076, Section 5, using the 2023 test year to be published within 30 days of the date of this order. Additionally, 807 KAR 5:076, Section 5(3), requires a utility to file proof of notice with the Commission no later than 45 days from the date the application was originally submitted to the Commission. Since the Commission is requiring South Logan Water to reissue customer notice using the updated test year, the Commission finds that South Logan should file proof of notice pursuant to 807 KAR 5:076, Section 5(3), with the Commission within 45 days of the date of this order. Because this application has not yet satisfied the legal filing requirements, the Commission finds that this application should not be deemed filed and the statutory period to process this case set forth in 807 KAR 5:076 is not yet applicable. Upon filing of the proof of notice in accordance with this Order, the application will be reviewed again for acceptance for filing.

The Commission further notes that the filing deficiencies listed in the July 5, 2024 letter have been cured. Additionally, the Commission acknowledges Case No. 2022-00103 and South Logan Water's attempt to comply with the deadlines set forth therein. Therefore, the Commission finds that South Logan Water substantially complied with the Commission's Order in that matter.

IT IS THEREFORE ORDERED that:

1. South Logan Water's application is deficient for failing to meet the requirements of 807 KAR 5:076, Section 5(4).
2. South Logan Water shall file an updated copy of the customer notice, utilizing the 2023 test year, as required by 807 KAR 5:076, Section 5(4).
3. South Logan Water shall reissue customer notice in accordance with 807 KAR 5:076, Section 5, within 30 days of the service date of this Order.
4. South Logan Water shall file proof of publication of the customer notice within 45 days of the service date of this order.
5. All deficiencies listed in the July 5, 2024 letter are deemed cured.
6. South Logan Water complied with the final Order, ordering paragraph 1 in Case No. 2022-00103.

PUBLIC SERVICE COMMISSION

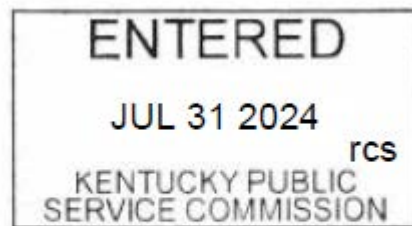
Chairman



Vice Chairman



Commissioner



ATTEST:



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