

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF THE CITY OF)	
MT. VERNON TO INCREASE ITS WHOLESALE)	CASE NO.
WATER RATES TO WESTERN ROCKCASTLE)	2024-00217
WATER ASSOCIATION, INC. AND KENTUCKY-)	
AMERICAN WATER COMPANY)	

ORDER

On June 6, 2024, the city of Mt. Vernon (Mt. Vernon) filed with the Commission a revised tariff sheet setting forth a proposed adjustment to its existing rates for wholesale water service to Western Rockcastle Water Association, Inc. (Western Rockcastle Water), and Kentucky-American Water Company (Kentucky-American) with a proposed effective date of July 16, 2024. The Commission suspended the proposed tariff revision on July 12, 2024,¹ for five months, up to and including December 15, 2024. Mt. Vernon timely responded to one request for information from Commission Staff. There are no intervenors in this matter. On November 11, 2024, Mt. Vernon filed notice that it believed the record was such that the Commission could render a decision; however, if the Commission had any questions, the city would participate in a hearing or informal conference.²

¹ Case No. 2024-00217, *Electronic Tariff Filing of the City of Mt. Vernon to Increase its Wholesale Water Rates to Western Rockcastle Water Association, Inc. and Kentucky-American Water Company* (July 12, 2024), Order at 4.

² Mt. Vernon's Response Regarding a Hearing (filed Nov. 11, 2024).

LEGAL STANDARD

Pursuant to KRS 278.200, the Commission has jurisdiction over Mt. Vernon's rates for wholesale water service to Western Rockcastle Water and Kentucky-American. The Supreme Court's decision in *Simpson County Water District v. City of Franklin* specifically stated that "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 the PSC rates and service regulation."³ Following the Court's decision in *Simpson County*, the Commission has allowed city-owned utilities to file rate adjustments by a tariff filing, and if a hearing is requested and the Commission suspends the proposed rate, the requirements and procedures set forth in KRS Chapter 278, and the Commission's regulations, apply equally to filings by a city-owned utility or a jurisdictional utility.⁴

Mt. Vernon's wholesale water rate charged to Western Rockcastle Water and Kentucky-American are subject to KRS 278.030, which provides that a utility may collect fair, just and reasonable rates. KRS 278.260 explains that the Commission may, on its own motion, investigate whether "any regulation, measurement, practice or act affecting or relating to the service of the utility or any service in connection therewith is unreasonable." Thus, in accordance with KRS 278.030, KRS 278.200, and KRS 278.260, the Commission must determine whether Mt. Vernon's proposed rate increase is fair, just and reasonable based upon the evidentiary record.

³ *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460, 463 (Ky. 1994).

⁴ *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460, 463 (Ky. 1994); *City of Danville v. Public Service Comm'n, et al.*, Civil Action No. 15-CI-00989, Opinion and Order (Franklin Circuit Court Division II, June 14, 2016).

BACKGROUND

Mt. Vernon’s current monthly wholesale water rate to Western Rockcastle Water and Kentucky-American is \$2.93 per 1,000 gallons.⁵ Mt. Vernon’s proposal increases the wholesale water rate by \$0.47 per 1,000 gallons, or approximately 16.04 percent, to \$3.40 per 1,000 gallons. The table below is a comparison of Mt. Vernon’s current and proposed volumetric wholesale rates for Western Rockcastle Water and Kentucky-American.

	Existing Rate	Proposed Rate	Increase	
			\$	%
Wholesale Rate per 1,000 Gallons	\$2.93	\$3.40	\$0.47	16.04%

DISCUSSION

Mt. Vernon stated that it was adding a new Powdered Activated Carbon (PAC) Reactor Basin and feed equipment to the Water Treatment Plant.⁶ According to the letter, the project was needed to improve the quality of the drinking water and minimize the occurrence of taste and odor incidents.⁷ The total project cost is \$4,142,000 and the rate increase to both retail and wholesale user rates would finance the project.⁸ Mt. Vernon’s proposed rate increase is based upon 2023 financial performance adjusted for known and measurable items including pending in-service dates for capital projects and the commencement of related debt service.⁹

⁵ Mt. Vernon’s Tariff with an effective date of Aug. 17, 2012, Monthly Wholesale Water Rate, page 1 of 1.

⁶ Mt. Vernon’s Tariff (filed July 3, 2024), Letter from Mayor at PDF page 2.

⁷ Mt. Vernon’s Tariff (filed July 3, 2024), Letter from Mayor at PDF page 2.

⁸ Mt. Vernon’s Tariff (filed July 3, 2024), Letter from Mayor at PDF page 2.


⁹ Mt. Vernon’s Responses to Commission Staff’s First Request for Information (filed Aug. 13, 2024), Exhibit 6, beginning at page 96 of 101.

Based on the evidence of record, the Commission concludes that the amounts used by Mt. Vernon to calculate its proposed wholesale rate are reasonable because the information provided in Mt. Vernon's calculations is known and measurable. For this reason, the Commission finds that the rate increases proposed by Mt. Vernon to Western Rockcastle Water and Kentucky-American are reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The wholesale rate of \$3.40 per 1,000 gallons proposed by Mt. Vernon is approved.
2. The rate approved by this Order is fair, just and reasonable and is approved for the provision of wholesale water service to Western Rockcastle Water and Kentucky-American for services rendered on and after the date of service of this Order.
3. Within 20 days of the date of service of this Order, Mt. Vernon shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rate and charge approved by this Order and its effective date, and also stating that the rate and charge were authorized by this Order.
4. This case is closed and removed from the Commission's docket.


PUBLIC SERVICE COMMISSION



Chairman



Commissioner



Commissioner

ATTEST:



Executive Director

ENTERED
DEC 13 2024 AH
KENTUCKY PUBLIC
SERVICE COMMISSION

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