

Preparing an Application for a General Rate Adjustment

The comments made by the presenter represent the presenter's opinions only; these comments and opinions do not necessarily represent those of the Kentucky Public Service Commission.

Three Types of General Rate Case Filings Accepted by the KPSC

- 1) Alternative Rate Filing (ARF) – for “small” utilities
- 2) General Rate Filing, Forecasted Test-Year
- 3) General Rate Filing, Historic Test-Year

ARF – for “Small” Utilities

Allowed by 807 KAR 5:076 - ARF form available at
<http://psc.ky.gov/agencies/psc/forms/arf.pdf>

New, Revised Regulation; Qualify if Utility has:

- 1) less than \$5,000,001 in gross annual revenue; and
- 2) utility records are kept separate from any commonly-owned enterprise; and
- 3) annual reports on file with KPSC for previous 3 years.

ARF

Water Utilities Qualifying for ARF

Under current regulation = 20 out of 148

Under proposed regulation = 141 out of 148

General Rate Filing, Forecasted Test-Year

Allowed pursuant to KRS 278.192, became effective March 12, 1993.

Allows rates for service to be based on financial projections for the first 12-month period the rates are to first become effective and all subsequent periods.

General Rate Filing, Forecasted Test-Year

Advantages:

- Reduce Regulatory Lag
- Matches revenues with actual/estimated cost of providing service.

Disadvantages:

- Filing requirements voluminous and complicated when compared to historic test-year rate case.

General Rate Filing, Forecasted Test-Year

Number of Utilities using Forecasted Test- Year

Water	1 out of 148
Electric	2 out of 25
Gas	2 out of 27
Sewer	0 out of 67

General Rate Filing, Historic Test-Year

Also allowed by KRS 278.192

Water district can accomplish nearly the same results using the Historic Test-Year Method as the Forecasted Test-Year Method through pro – forma adjustments to assets, liabilities, revenues and expenses.

A historic test-year can be any 12 consecutive month period. Most logical to use most recent annual report on file with the KPSC but not required.

Preparing Application Using Historic Test-Year is Easy Using Filing Requirements Checklist

Filing Requirements Checklist can be found at <http://psc.ky.gov/>
Applies to all utilities, big or small.

Only 4 items present difficulties:

- 1) Pro forma Operating Statement, always required.
- 2) Calculation of Revenue Requirements, always required.
- 3) Billing Analysis, required when a change in rate design is proposed. Deviation may be requested and granted when no change in rate design is proposed and billing analysis is not easily compiled using computerized billing program. Must support request for deviation in the application.
- 4) Cost of Service Study, required when revenues exceed \$5 million. 7 out of 148 water utilities fall into this category.

Can use COSS from previous KPSC case if no major changes to utility's operating characteristics have occurred.

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KENTUCKY PUBLIC SERVICE COMMISSION

SMALL UTILITY ASSISTANCE DIVISION

Type of Utility	A Welcome From Kentucky Public Service Commission Chairman David Armstrong	Type of Assistance
GAS	<p>The Kentucky Public Service Commission (PSC) recognizes the unique challenges facing our state's smaller utilities, which provide natural gas, water or sewer service to hundreds of thousands of Kentuckians, most of them living in our state's smaller and more rural communities. These utilities do not have the financial or staff resources available to larger companies, yet they work just as hard every day to serve their customers. Over the years, the Kentucky Public Service Commission has provided assistance to smaller utilities in a number of ways — through training, rate case evaluation and help with other regulatory matters. Now, for the first time and thanks to an appropriation by the Kentucky General Assembly, these functions are being brought together in one place within our organization — the Small Utilities Assistance Division. Headed by longtime PSC attorney Jerry Wampler, the Small Utilities Assistance Division will be a single entry point for small utilities seeking information or assistance. We will reach out and schedule inspections with the PSC and will make it easier for small utilities to meet regulatory requirements. We are excited about the potential of this initiative. On behalf of Vice Chairman Jim Gardner and Commissioner Charis Borders, I invite all small utilities to make full use of this new service.</p>	CONSUMER SERVICES
SEWER		ENGINEERING
WATER		FILING
MUNICIPALS		FINANCIAL
NEWSLETTER		LEGAL
STAFF CONTACTS		HOMEPAGE

Small Utilities Assistance Division Website is Now Available

To view the website, go to <http://smallutilities.ky.gov>

Latest Press Releases

- March 03, 2011 - PSC to Hold Home Energy Workshop in Perry County
- February 28, 2011 - PSC Approves EKPC Request to Cancel Power Plant
- February 17, 2011 - PSC Grants Rate Adjustment to Meade County RECC

Latest Orders

- 'New!' Case: 2010-00222, Meade County R.E.C.C. - General Rates
- 'New!' Case: 2010-00426, Hillridge Facilities, Inc. - Alternative Rate Filing Adjustment
- 'New!' Case: 2011-00042, AEP Kentucky Transmission Company, Inc. - Initial

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KENTUCKY PUBLIC SERVICE COMMISSION
SMALL UTILITY ASSISTANCE

Type of Utility: GAS, SEWER, WATER, MUNICIPALS, NEWSLETTER, STAFF CONTACTS

A Welcome From Kentucky Public Service Chairman David Armstrong

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- Alternative Rate Filing: (PDF format), (Word format), (Wordperfect format)
 - ▷ Annual Report Forms
 - ▷ Filing Requirements Check List
 - ▷ Gross Revenue Report Forms
- Nonrecurring Charge Cost Justification: (PDF format), (Word format)
- Open Records Request Form: (PDF Format), (Word format)
- Tariff Form: (PDF format), (Word format)
 - ▷ Uniform System of Accounts

Kentucky Public Service Commission

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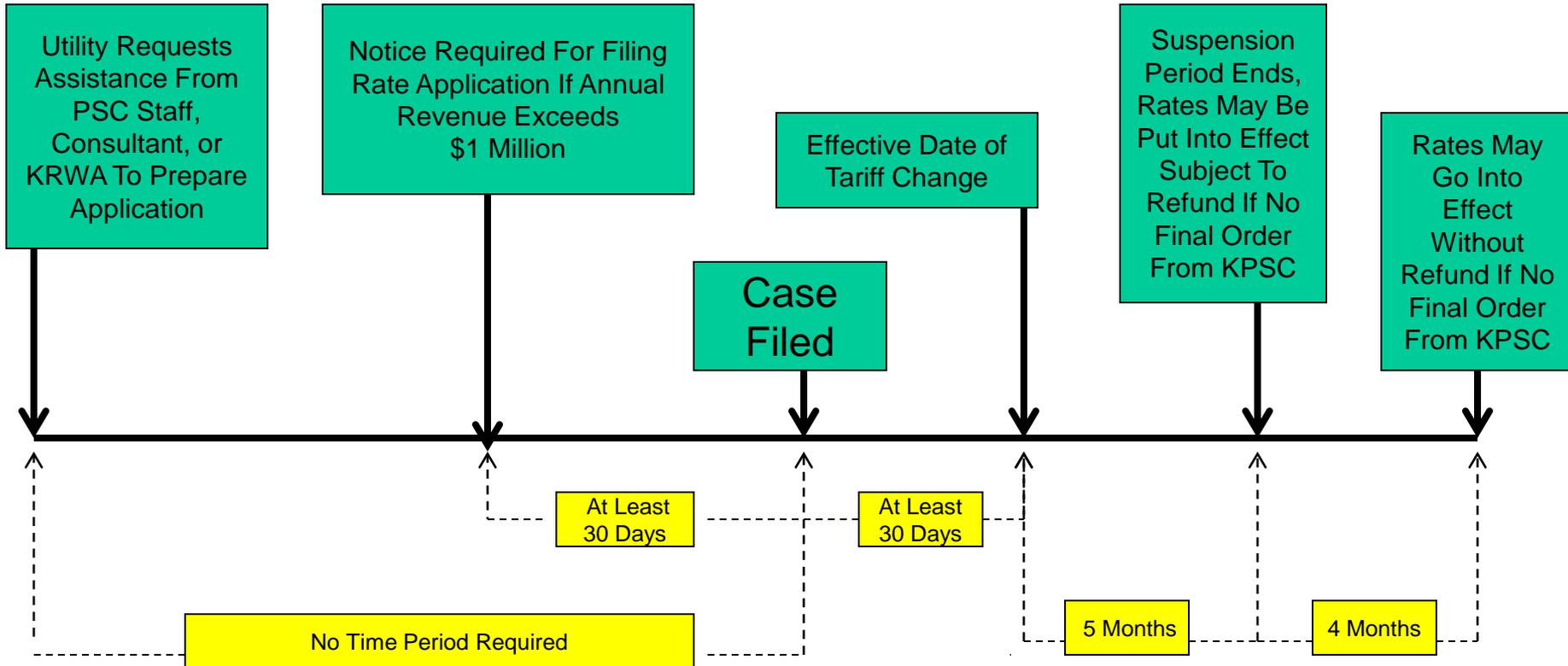
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Forms For All Utilities

- Adoption Notice: (PDF format), (Word format)
- Alternative Rate Filing: (PDF format), (Word format), (Wordperfect format)
 - Annual Report Forms
 - ▾ Filing Requirements Check List
 - ▾ Alternative Rate Filing (ARF): (PDF File), (Word File)
 - ▾ Authority to Adjust Rates - Sewage Utility (Historical Test Period): (PDF File), (Word File)
 - ▾ Decrease in Revenue of an Electric Cooperative: (PDF File), (Word File)
 - ▾ Certificate of Public Convenience and Necessity - Construction: (PDF File), (Word File)
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 - ▾ Certificate of Public Convenience and Necessity - Construction - Sewers Only: (PDF File), (Word File)
 - ▾ Certificate of Public Convenience and Necessity - Construction - To Construct Antenna Towers for Cellular Telecommunications Services or Personal Communication Services in Jurisdictions Without a Planning Commission: (PDF File), (Word File)
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 - ▾ Financing: (PDF File), (Word File)
 - ▾ General Rate Case Using a Fully-Forecasted Test Period (Except Sewers): (PDF File), (Word File)
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 - ▾ Non-Recurring Charges: (PDF File), (Word File)
 - ▾ Merchant Power Plant: Forms
 - ▾ Purchased Water Adjustment - Privately Owned Companies: (PDF File), (Word File)
 - ▾ Purchased Water Adjustment - Water Districts & Associations: (PDF File), (Word File)
 - ▾ Initial Approval of Water District Commissioners' Training Program: (PDF File), (Word File)
 - ▾ Transmission: (PDF File), (Word File)

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TIMELINE FOR A RATE ADJUSTMENT PROCEEDING USING HISTORIC TEST-YEAR



General Rate Filing, Historic Test-Year

807 KAR 5:001, Section 10(7) states that

“Upon good cause shown, a utility **may** request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period.”

Common Adjustments to Test-Year Operations made by Staff

- Eliminate Contributions in Aid of Construction from Revenue, i.e. Tap-Fees, Grants etc.
- Salary Increases / Change in employee level
- Employer Retirement Contributions
- Health Insurance
- Large Non-recurring Items to be Amortized (Tank Painting, Storm Damage)
- Capitalization of Investment in Assets
- Changes to Depreciable Lives
- Remove Costs that are NOT within the Statutory Purposes of District

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