



Commonwealth of Kentucky Energy and Environment Cabinet

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PSC grants small rate adjustment to Water Service Corp.

Cuts requested increase by nearly half

FRANKFORT, Ky. (Nov. 9, 2009) - The Kentucky Public Service Commission (PSC) today granted Water Service Corp. of Kentucky a rate adjustment that is significantly smaller than the amount requested by the utility.

Water Service will be allowed to increase annual revenue from its Kentucky operations by about \$473,000, or 29 percent, to about \$2.1 million. The company had sought an increase of \$807,000, or about 51 percent, to bring annual revenue to \$2.47 million.

Water Service has about 7,300 residential customers in Hickman and Bell counties.

In the Clinton service area in Hickman County, the monthly residential water bill for a customer using 5,000 gallons will increase by \$8.54 (29 percent), from \$29.46 to \$38.00, a figure that includes school taxes. For Water Service customers in Middlesboro in Bell County, the monthly residential bill for 5,000 gallons will increase by \$5.12 (also 29 percent), from \$17.58 to \$22.70.

The PSC held meetings in Clinton and Middlesboro in August to take public comments on the proposed rate increase. The formal evidentiary hearing in the case was conducted in Frankfort on Aug. 19.

"Commissioners and staff were pleased to see how many customers came to the public meetings and made thoughtful and well-reasoned comments," PSC Chairman David Armstrong said. "We certainly kept them in mind as we deliberated in this case."

In its application, Water Service said it needs additional revenue to pay for system improvements and modernization of its customer service and billing systems. Much of the proposed increase was for what Water Service described as the Kentucky customers' share of company-wide computer system improvements.

In today's order, the PSC said that "Water Service has failed to meet its burden of proof that the indirect cost allocations from (the parent company) are reasonable, are directly related to providing water service, or benefit the ratepayers" in Kentucky.

The PSC also rejected Water Service's proposed fee for connecting new service and ordered it to more fully disclose its procedures and fees for payment by credit or debit cards. Other fee changes proposed by Water Service were accepted by the PSC.

The sewer rates in Clinton, where the sewer system is operated by Water Service under a contract with the city, are not part of the rate case. However, the PSC expressed concern over the fact that the sewer rates are tied to the water rates and thus will increase in tandem, at the rate of a \$1.33 increase in sewer charges for every \$1 increase in water charges.

While noting that it has no first-hand knowledge of how Clinton sets its sewer rates, the PSC said that the automatic increase may not necessarily reflect any increase in the cost of providing sewer service. The PSC urged city officials to re-examine the sewer rate.

Today's order and documents in the case are available on the [PSC Web site](#). The case number is 2008-00563.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.

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