

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 6th day of December, 2007.

CASE NO. 07-2172-PWD-PC

PUTNAM PUBLIC SERVICE DISTRICT, a public utility,
Scott Depot, Putnam County.

Petition for consent and approval to implement an
Emergency Standby Surcharge for water service.

COMMISSION ORDER

Because of the area's drought, a utility has had to purchase additional water supplies. The Commission approves an emergency standby surcharge to permit the utility to recover the additional costs to supply water to its customers.

BACKGROUND

On November 6, 2007, Putnam Public Service District petitioned the Commission for permission to implement an emergency standby surcharge of \$0.6421 per 1,000 gallons¹ on all of its customers' bills. Petition pp. 1-3 & attachment. Drought conditions are so severe that one resale customer, the City of Hurricane, could not rely upon its water reservoir and had to buy all of its supply from Putnam PSD for a time. The combination of the drought and Hurricane's additional demand has reduced Putnam PSD's reservoir levels, and Putnam PSD, in turn, has had to buy water from West Virginia-American Water Company. Petition p. 1. A calculation to derive the proposed initial surcharge was attached to the petition.²

In 1987, when drought conditions also were prevailing, the Commission authorized a surcharge for this utility to recover similar purchased water costs. Id. pp. 1-2, citing South Putnam

¹ "Per 1,000 gallons" is often abbreviated as "per M gallons."

² The formula reflects that Putnam PSD pays \$1,242.96 to WV-AWC each month and removes this amount from the surcharge calculation. The monthly \$1,242.96 is for a minimum charge and applies regardless of whether Putnam PSD purchases any water. The surcharge calculation, then, considers only what Putnam PSD pays for particular volumes purchased.

PSD,³ Case No. 86-493-W-P. Because Putnam PSD's current rates do not reflect any purchased water from West Virginia-American, Putnam PSD cannot immediately recover the cost of recent water purchases and will experience a cash flow shortfall. Id. p. 2. Putnam PSD asked for a surcharge to offset water purchases made in October and for the surcharge to continue so long as water is purchased from West Virginia-American. Id.

Putnam PSD argued that extraordinary conditions justify the immediate implementation of the surcharge, the public interest will be adversely affected if the relief is not granted, and Putnam PSD will be irreparably harmed if the relief is not granted. Id.

As a condition for granting the relief, Putnam PSD agreed to provide the Commission a monthly report of the volumes bought from West Virginia-American, the amount paid, and the monthly surcharge implemented. If more than enough is collected via the surcharge, Putnam PSD agreed to promptly refund any excess to its customers. Petition p. 2.

On November 30, 2007, Commission Staff recommended that the emergency surcharge be approved for a 12-month period, and the first amount to be assessed to Putnam PSD's customers would be \$0.6421 per M gallon to cover the October 2007 purchased water expense. Initial & Final Joint Staff Memorandum pp. 1-2, & Initial & Final Internal Memorandum pp. 1-2 attached. Staff also recommended that Putnam PSD be required to submit monthly reports to the Commission in the same format as the October 2007 purchased water calculation, detailing the amount of M gallons purchased from and the amount paid to WV-AWC, how many gallons Putnam PSD sold to its customers, and the monthly surcharge assessed to Putnam PSD's customers. If a particular month's surcharge turns out to be insufficient, Staff recommended that any undercollection be added to the next month's bill. If Putnam PSD, however, recovers more through the surcharge than it needed to buy water for any particular month, refunds to its customers will be made in the next billing cycle. Staff attached a Recommended Tariff that includes language for the emergency standby surcharge and to increase the returned check charge to \$25, being the maximum amount which may be recovered under state law.

DISCUSSION

The area's drought is causing reservoir levels to drop, and as a result Putnam PSD has been required to purchase unexpected water supplies. The Commission agrees that extraordinary

³ On June 7, 2006, the Commission approved a request by South Putnam PSD to change its name to Putnam Public Service District. See Comm'n Order pp. 7-8, So. Putnam PSD & No. Putnam PSD, Case No. 03-1042-PSWD-PC. Earlier in that case, the transfer of North Putnam PSD's utility system to South Putnam PSD was approved. See So. Putnam PSD & No. Putnam PSD, Case No. 03-1042-PSWD-PC (Rec. Dec. Sept. 5, 2003, final Sept. 25, 2003) See also Putnam Co. Comm'n, Case No. 03-0536-PSWD-PC (Rec. Dec. Oct. 16, 2003, final Nov. 3, 2003) (dissolution of No. Putnam PSD).

conditions exist and that Putnam PSD should be permitted to immediately implement an emergency standby surcharge so that it may more timely recover from its customers the costs of the water purchased from West Virginia-American.

As the Commission did in Case Number 86-493-W-P, the Commission will require that Putnam PSD provide notice to its customers and allow the customers to comment on the emergency surcharge. If substantial protests are received, the Commission may reconsider its order.

Putnam PSD's tariff allows customers to be assessed a returned check charge equal to the charge made by Putnam PSD's bank, up to a \$15. The maximum amount permissible for that fee, however, has been increased to \$25, per W. Va. Code § 61-3-39e. The Commission also will approve Staff's recommendation to revise that tariff provision so that Putnam PSD may recover the amount charged by its bank, up to the maximum amount allowed by statute.

FINDINGS OF FACT

1. On November 6, 2007, Putnam PSD petitioned for permission to implement an emergency standby surcharge because drought conditions have caused the reservoir of the Putnam PSD to drop and has required the Putnam PSD to purchase more water than expected. Petition pp. 1-3 & attachment.

2. On November 30, 2007, Commission Staff recommended that the emergency surcharge be approved for a 12-month period, the first amount to be assessed to Putnam PSD's customers at \$0.6421 per M gallon to cover the October 2007 purchased water expense, and that monthly reports be required. Initial & Final Joint Staff Memorandum pp. 1-2, & Initial & Final Internal Memorandum pp. 1-2 attached. Staff also recommended that the maximum returned check charge be increased to \$25.

CONCLUSIONS OF LAW

1. Because the area's drought is causing reservoir levels to drop and have caused the Putnam PSD to purchase larger volumes of water from West Virginia-American, extraordinary conditions exist, and Putnam PSD should be permitted to immediately implement an emergency standby surcharge.

2. The Commission should require Putnam PSD to provide notice to its customers and allow the customers to comment on the emergency surcharge and adjust their water-use habits.

3. Putnam PSD's tariff allows for a returned check charge equal to the charge made by Putnam PSD's bank, up to \$15. This tariff provision should be modified to allow Putnam PSD to assess the amount charged by its bank up to \$25, being maximum amount now allowed by W. Va. Code § 61-3-39e.

ORDER

IT IS THEREFORE ORDERED that Putnam PSD's petition is granted. For all bills rendered on or after the date of this order, Putnam PSD may implement a monthly emergency standby surcharge, calculated according to the form attached to the petition as Appendix A. The emergency standby surcharge will remain in effect for 12 months from the date of this order.

IT IS FURTHER ORDERED that for each month that the standby surcharge is assessed, Putnam PSD shall file a surcharge report with the Commission, along with supporting documentation, on a monthly basis, providing at least the following information:

- 1) the amount of M gallons purchased from WV-AWC,
- 2) the amount paid to WV-AWC,
- 3) how many gallons Putnam PSD sold to its customers, and
- 4) the monthly surcharge assessed to Putnam PSD's customers.

Each report shall be filed as a closed entry in this matter, Case Number 07-2172-PWD-PC.

IT IS FURTHER ORDERED that a final report shall be filed on or before December 31, 2008, again as a closed entry in this matter, providing at least the following information:

- 1) total amount paid to WV-AWC during the 12-month period, and
- 2) total amount charged to Putnam PSD's customers during the 12-month period.

If these amounts are not the same, Putnam PSD shall advise the Commission how it proposes to handle the difference. If Putnam PSD customers are entitled to money back, Putnam PSD may issue bill credits, rather than refunds.

IT IS FURTHER ORDERED that Putnam PSD shall be permitted to charge a returned check charge equal to the charge made by Putnam PSD's bank, up to \$25. Putnam PSD may not assess the maximum \$25 returned check charge until after it publishes notice of the increase.

IT IS FURTHER ORDERED that Putnam PSD shall publish notice of the emergency standby surcharge and the increased maximum returned check charge once a week for two weeks in newspaper(s) published and of general circulation in each county in which it provides service. Putnam PSD may use the notice attached to this order.

IT IS FURTHER ORDERED that Putnam PSD shall promptly file the affidavits of publication.

IT IS FURTHER ORDERED that, within 30 days of the date of this order, Putnam PSD shall file an original and six copies of a revised tariff reflecting the emergency standby surcharge and the increased maximum returned check charge.

IT IS FURTHER ORDERED that this matter is removed from the Commission's docket of active cases.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Teste:


Sandra Squire
Executive Secretary

CLW/sek
072172c.wpd

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CASE NO. 07-2172-PWD-PC

PUTNAM PUBLIC SERVICE DISTRICT, a public utility,
Scott Depot, Putnam County.

Petition for consent and approval to implement an
Emergency Standby Surcharge for water service.

**NOTICE OF IMPLEMENTATION OF EMERGENCY SURCHARGE
& INCREASED RETURNED CHECK CHARGE**

On December 6, 2007, the Public Service Commission approved an emergency standby surcharge to recover the cost of additional water purchased by Putnam Public Service District as a result of drought conditions occurring in its service territory. The emergency surcharge is based upon the cost of water Putnam PSD buys from West Virginia-American Water Company and will be calculated on a monthly basis according to a formula designed by the Commission and the PSD.

Putnam PSD's rates were not designed to cover any water purchases from WV-AWC. As a result of the emergency situation and the immediate need for additional revenues to recover Putnam PSD's increased purchased water expenses, the emergency surcharge was implemented with the current billing cycle. The standby surcharge will remain in effect for 12 months in varying amounts, depending upon the total amount of additional water Putnam PSD buys and the duration of the area's drought conditions. If the surcharge results in excess revenues, Putnam PSD has been required to return any excess to its customers.

The Commission also approved increasing the maximum returned check charge to \$25, from \$15. Accordingly, Putnam PSD will hereafter assess a returned check charge equal to the amount assessed by Putnam PSD's bank, up to \$25, against each customer who pays a utility bill with a bad check.

The emergency standby surcharge is designed to provide for a change in rates and charges to produce additional revenue sufficient, but not more than sufficient, to offset the increased cost Putnam PSD incurs to buy additional water supplies due to the area's drought. Anyone affected by the implementation of the emergency standby surcharge may protest, and the protest should be limited to the reasonableness of the emergency standby surcharge and the method by which it is calculated. Anyone desiring to protest or intervene should file a written protest or notice of intervention within twenty (20) days following the date of this publication unless otherwise modified by Commission order. Failure to timely intervene can affect your rights to protest any rate

increases and to participate in future proceedings. Requests to intervene must comply with the Commission's rules on intervention. All protests and interventions should be addressed to the Executive Secretary, Public Service Commission of West Virginia, P.O. Box 812, Charleston, WV 25323.

PUTNAM PUBLIC SERVICE DISTRICT