

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

ADJUSTMENT OF RATES OF STONE)
BROOK SANITATION COMPANY) CASE NO. 7307

AMENDED ORDER

On October 18, 1979, this Commission entered an Order in the above-styled matter adjusting the Stone Brook Sanitation Company's (Applicant) sewer service rates to those which would produce annual revenues of approximately \$59,598. On November 12, 1979, both the Consumer Protection Division of the Attorney General's Office and the intervenor, Farmgate Home Owners Association, filed Petitions for Rehearing.

On November 19, 1979, this Commission sustained both Petitions for Rehearing and set the matter for hearing on December 12, 1979.

On December 12, 1979, a hearing was held in this matter and this Commission ruled that the intervenor, Farmgate Home Owners Association, had until December 28, 1979, to notify this Commission whether it elected to make legal oral arguments only as to whether the evidence of record substantiated the depreciation allowed and the number of consumers used in arriving at the rate all of which was set forth in the Commission's Order of October 18, 1979, or whether it desired to reopen the record herein and allow introduction of additional evidence.

On December 28, 1979, the intervenor, Farmgate Home Owners Association, by counsel, advised this Commission that it elected to consider the evidentiary record closed herein and make oral arguments only as to whether the evidentiary record was sufficient to substantiate the October 18, 1979, Order of this Commission as it relates to depreciation allowance and number of consumers used in arriving at rates.

On January 4, 1980, this Commission by Order set this matter for oral arguments on January 22, 1980.

On January 14, 1980, the Applicant filed a Motion before this Commission to allow additional testimony to be heard relating to the questions raised in the Petition for Rehearing.

On January 18, 1980, this Commission by Order deferred ruling on the Applicant's Motion to allow additional testimony, until after oral arguments could be heard on January 22, 1980.

On January 22, 1980, this Commission heard oral arguments by all parties concerning whether the depreciation expense allowed and the number of consumers found by the Order of this Commission dated October 18, 1979, was substantiated by the evidence contained in the record prior to the date of said original Order.

Findings in This Matter

This Commission, after further consideration of all Motions pending, the evidence of record herein and oral arguments presented by all parties hereto and being fully advised, is of the opinion and finds as follows:

1. That the Applicant's Motion filed herein on January 14, 1980, requesting that it be allowed to put additional testimony into the record, should be overruled.

2. That the Commission's Order herein dated October 18, 1979, should be amended to exclude finding number four (4) relating to allowance of depreciation therein, in that upon reconsideration the Commission finds there not to be evidence in the record sufficient to determine which properties of the Applicant is non-contributed property and therefore, no calculation or determination can be made to determine allowable depreciation.

3. That the Commission's Order herein dated October 18, 1979, should be amended to exclude finding number five (5) relating to the rates prescribed therein and gross annual revenues to be produced therefrom.

4. That the rate prescribed and set forth in Amended Appendix "A" attached hereto and made a part hereof, should produce gross annual revenues of approximately \$42,966 from 385⁽¹⁾ customers and is the fair, just, and reasonable rate to be charged for sewer

(1) The count of 385 customers does not include the sewage

services rendered by the Applicant to customers located in the Farmgate and Shadow Creek Subdivisions and surrounding areas in Jefferson County, Kentucky.

5. That the Commission's Order herein dated October 18, 1979, should be amended to exclude finding number ten (10) relating to tabulation and proforma adjustments of revenues and expenses.

6. That this Commission, after reconsidering the tabulation of test-year and projected annual revenues and expenses submitted by the Applicant, concludes that said revenues, expenses and proforma adjustments can be summarized as shown in "Amended Appendix C", attached hereto and made a part hereof.

7. That the Applicant, by Order dated October 18, 1979, was authorized to increase its rates for services rendered on and after October 18, 1979. Further, the rate prescribed by this Order is less than the rate proposed by the Applicant and the Applicant should refund to its customers the amount collected in excess of that which would have been collected by the rate authorized by this Order. Further, that said refund should be completed within sixty (60) days of the date of this Order and a report filed by the Applicant to substantiate that said refund has been completed.

8. That all other provisions of the Commission's Order entered herein on October 18, 1979, not in conflict or contrary to the provisions of this Amended Order remain in full force and effect.

Orders in This Matter

This Commission, on the basis of the matters hereinbefore set forth and the record of this case hereby ORDERS and finds:

1. That this Commission's Order entered October 18, 1979, shall be modified to exclude finding number four (4) relating to disallowance of depreciation expenses.

2. That the Commission's Order entered October 18, 1979 shall be modified to exclude finding number five (5) relating to gross annual revenues.

3. That Amended Appendix "A" attached hereto and made a part hereof shall supersede and replace Appendix "A" of the Commission's prior Order dated October 18, 1979.

4. That the Commission's Order entered herein on October 18, 1979, be modified to exclude finding number ten (10) relating to revenues, expenses and proforma adjustments summary.

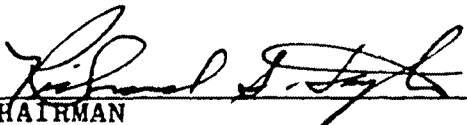
5. That Amended Appendix "C" attached hereto and made a part hereof shall supersede and replace Appendix "C" of the Commission's prior Order herein dated October 18, 1979.

6. That any funds collected by the Applicant in excess of those authorized by this Order shall be refunded within sixty (60) days of the date of this Order and, further, that the Commission shall be notified by the Applicant as to the method and extent of the said refund, within sixty (60) days of the date of this Order.

IT IS FURTHER ORDERED that all other provisions of the Commission's Order entered October 18, 1979, in this matter not inconsistent or in conflict with the provisions of this Amended Order shall remain in full force and effect.

Done at Frankfort, Kentucky, this 5th day of March, 1980.

UTILITY REGULATORY COMMISSION


CHAIRMAN


VICE-CHAIRMAN


COMMISSIONER

ATTEST:

SECRETARY

AMENDED
APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7307 DATED MARCH 5, 1980.

The following rate is prescribed for sewage disposal services rendered to all residential customers that are located in the Farmgate and Shadow Creek Subdivisions and surrounding areas of Jefferson County, Kentucky, and that are provided service by Stone Brook Sanitation Company.

<u>Type of Service Provided</u>	<u>Monthly Rate</u>
Single-family residential	\$9.30 per residence

AMENDED

APPENDIX "C"

Appendix to an Order of the Utility Regulatory Commission in Case No. 7307 dated March 5, 1980.

In accordance with Finding No. 6, the following tabulation is the Commission's summary of the "Test-Year" and projected annual revenues and expenses for the Applicant's 150,000 GPD plant. Service was provided to 342 customers during the Test-Year. Proforma projections are based on providing service to 385 customers of Jefferson County, Kentucky.

	Actual(1) Expenses (Test Year)	Proforma(1) Requested	Proforma Found Reasonable
Revenues: (No. units served)	(342)	(385)	(385)
1. Service Fees	\$ 26,444	\$ 69,750	\$42,966
2. Other	-0-	-0-	-0-
Total Revenues	\$ 26,444	\$ 69,750	\$42,966
Expenses: (No. units served)	(342)	(385)	(385)
1. Management & Office Expenses:			
a) Management Fee	\$ 3,600	\$ 5,000	\$ 2,400(2)
b) Office Rent	-0-	2,400	1,200(3)
c) Miscellaneous	472	300	300
2. Billing & Collecting	992	1,488	1,488
3. Sewage System Operations:			
a) Sludge Hauling	1,050	1,375	1,182(4)
b) Routine O & M (Contract)	1,884	2,072	1,884(5)
c) Repairs & Maintenance	2,412	2,653	2,412(5)
d) Extraordinary Repairs	-0-	7,766	2,180(6)
e) Utilities - Electric	5,786	5,893	5,893
f) Utilities - Water	1,558	2,117	1,830(7)
g) Chemical (Chlorine, etc.)	485	534	534(8)
h) Health Department Fee	(450)	600	600
4. Environmental Development	1,537	-0-	-0-
5. Debt Retirement	-0-	7,937	-0- (9)
6. Professional Services:			
a) Legal - Annual	1,022	100	100
b) Legal - Rate Case (3 year Amortization)	-0-	300	300(10)
c) Accounting - Annual	1,925	1,000	1,000
d) Accounting - Rate Case (3 yr. Amortization)	-0-	733	733(10)
e) Engineering - Annual	1,260	1,000	1,000
f) Engineering - Rate Case	-0-	84	84(10)
7. Interest on Long-Term Debt	10,636	10,636	10,636
8. Taxes			
a) Property	(300)	280	280
b) Income - (Fed., State, Local)	-0-	5,888	1,315(11)
9. Insurance	501	944	501(12)
Total Expenses	\$ 34,370	\$ 61,100	\$37,852
Net Income (Loss)	(7,926)	8,650	5,114

- (1) "Per Books" and "Proforma Requested" Income and Expenses were taken from the Applicant's Amended Comparative Income Statement which was filed with the Commission on May 2, 1979.
- (2) The Applicant's requested increase in management fees has been disallowed. Further, on the basis of precedent setting allowances for comparable utilities operating in Jefferson County, the Commission finds that an annual fee of \$2,400 is the maximum that should be included in the determination of rates for this utility.
- (3) The request for office rent in the amount of \$2,400 has been reduced to \$1,200 based on the Commission's determination of the needs of the Applicant relative to comparable utilities operating in Jefferson County and the use by the Applicant of space which is primarily used for another business.
- (4) The increase allowed for this expense was based on the 12.57 percent increase in the number of customers. This Applicant's requested inflation factor adjustment has been disallowed (refer also to footnote 5 below).
- (5) The Applicant's requested inflation factor adjustments have been disallowed as they were considered to be speculative at best, and were not determined by the Commission to be a reasonable known and measurable adjustment to test year expenses.
- (6) The Applicant has requested \$23,300 in extraordinary repairs to be amortized over a three year period. The Commission, after review of the requested repairs finds that \$12,400 is for replacement of items that should more properly have been capitalized. Further, it was determined that the remaining \$10,900 in repairs should be amortized over a five year period. Therefore, the requested annual expense of \$7,766 has been reduced to an allowance of \$2,180.
- (7) The Applicant's inclusion of a sewage bill, as delineated in Note 2 to its Comparative Income Statement, has been disallowed. It should not be necessary for the Applicant to charge itself a sewage bill and pay sales tax thereon.
- (8) The requested increase in chlorine expense has been allowed due to the projected increase in number of customers from 342 to 385
- (9) The Applicant's request for \$7,937 in Debt Retirement has been disallowed since the payment of the principal portion of a loan is the obligation of the stockholders and is not an appropriate item to be included in the determination of rates under the operating ratio method.
- (10) The Applicant's rate case expenses of Legal \$900, Accounting \$2,200 and other \$250 have been amortized over a three (3) year period in accordance with Commission policy.
- (11) Income tax has been computed on the basis of the revenues made possible by the rate approved herein.
- (12) The allowance for insurance was reduced to the Per Books amount based on the invoices supplied by the Applicant on June 25, 1979, and the failure of the Applicant to adequately justify the requested increase.