

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

ADJUSTMENT OF RATES OF THE )  
MAPLE GROVE SEWER CONSTRUCTION ) CASE NO. 7907  
DISTRICT OF JEFFERSON COUNTY, )  
KENTUCKY )

O R D E R

On September 26, 1980, Maple Grove Sewer Construction District of Jefferson County, Kentucky (Applicant) filed its application with this Commission requesting approval of interim rates and final rates upon the completion of certain capital expenditures. The proposed interim rates would increase annual revenues by \$15,025, an increase of 25.63%. The proposed final rates would increase annual revenues by \$23,657, an increase of 40.35%.

The case was scheduled for hearing at the Commission's office in Frankfort, Kentucky, January 7, 1981. All parties of interest were notified and the Division of Consumer Intervention of the Attorney General's Office was the only party intervening in the matter.

On January 16, 1981, the Applicant filed an amended application requesting (1) approval of its final rates in lieu of its interim rates as set out in its original application, and (2) a certificate of convenience and necessity to complete its capital expenditure program on an item by item basis from the additional cash flow generated. The request for approval of its final rates in the amended application was due to additional pro-forma adjustments to operating expenses of the test year and refusal of Citizens Fidelity Bank & Trust Company to grant an additional loan to the Applicant. Future capital expenditures and renovation were estimated to be \$49,000.

After the hearing, additional information was requested. This information has been furnished and the entire matter is now considered to be submitted for final determination by this Commission.

### TEST YEAR

For the purpose of testing the reasonableness of the proposed rates, the Commission has adopted the twelve (12) months ended June 30, 1980. Adjustments, where found reasonable and proper for rate-making purposes, have been included to reflect more current and anticipated operating conditions.

### REVENUES AND EXPENSES

The Applicant presented several pro-forma adjustments to more properly reflect operating conditions. The Commission has accepted the pro-forma adjustments as proposed by Applicant with the following exceptions:

1. The Commission has disallowed the pro-forma adjustment to supplies expense which was based on estimated increased costs associated with inflation.

2. Repairs and Maintenance for the test year included \$2,567 of expenses which in the opinion of the Commission were extraordinary expenses that should be amortized over a period of three years. Therefore, the Commission has excluded \$1,711 for rate making purposes.

3. The Commission has reduced the compensation to the three Commissioners of the district to \$2,100 annually for rate making purposes. In making this adjustment the Commission finds that the board members should take this action as an initial step in trying to hold down the cost of service to the consumers. The Commission further finds that this level of compensation is adequate for a utility of this size.

4. Interest expense on the note outstanding with Citizens Fidelity Bank and Trust Company has been reduced by \$465 to reflect the average interest cost over the next three years.

5. The Applicant had included principal payments on Bonds and Notes in the test year expenses. Further, Applicant proposed to exclude depreciation expense from the pro-forma expenses and to include additional pro-forma adjustments for bond payments, note payments, and sinking fund reserve. The Commission has excluded

the note and bond principal and sinking fund payments from the pro-forma operating statement in accordance with generally accepted accounting principles. Likewise, the actual depreciation expense for the test year has been included in the pro-forma operating expenses.

6. Operating revenues have been increased by \$1,503 to reflect a normalization adjustment based on test year end consumers.

After consideration of the aforesaid adjustments, the Applicant's statement of operations would appear as follows:

	Actual June 30, 1980	Adjustments	Pro-forma
Operating Revenues	\$ 57,131	\$ 1,503	\$ 58,634
Operating Expenses:			
Water	\$ 657	22	679
Electric	6,420	(37)	6,383
Operation Contract	5,280	1,020	6,300
Sludge Hauling	4,508	250	4,758
Chemicals	1,595	355	1,950
Supplies	762		762
Repairs & Maintenance	7,241	(1,711)	5,530
Testing	385	19	404
URC Assessment	50		50
Insurance	558	20	578
Professional Fees			
Legal & Management	4,803	( 400)	4,403
Audit	2,192	8	2,200
Annual Report	500	( 200)	300
Rate Case Expenses	2,122	922	3,044
Health Dept. Fee	700		700
Commissioner's Salaries	3,600	(1,500)	2,100
Collection Fees	2,226	178	2,404
Bond Agent Fees	300		300
Bond Interest	7,867	( 423)	7,444
Bonds Redeemed	4,000	(4,000)	0
Notes Payable	1,500	(1,500)	0
Interest on Notes Payable	1,551	( 465)	1,086
Bank Charges	13		13
Miscellaneous	368	( 368)	0
Depreciation	5,108		5,108
Amort. of Debt Cost		1,862	1,862
Trash Collection	48	3	51
Office Expense	180		180
Grass Cutting	432		432
Bad Debts		702	702
Total Operating Expenses	<u>\$64,966</u>	<u>\$(5,243)</u>	<u>\$ 59,723</u>
Net Income	<u>\$(7,835)</u>	<u>\$ 6,746</u>	<u>\$( 1,089)</u>

### SUMMARY

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and finds:

1. That based on the pro-forma operating statement Applicant would realize a Net Income deficit of \$1,087 which is unfair, unjust, and unreasonable.

2. That in order for Applicant to pay its operating expenses, debt costs and realize a reasonable rate of return it should be allowed to increase its annual revenue by \$14,361 annually.

3. That the rates prescribed and set forth in Appendix "A" attached hereto are the fair, just and reasonable rates to become effective for services rendered on and after the date of this Order.

4. That the rates proposed by the Applicant are unfair, unjust, and reasonable in that they would produce revenues in excess of those found reasonable herein and should be denied.

5. That a certificate of convenience and necessity should be granted to authorize the improvements and repairs which are required by the Louisville and Jefferson County Board of Health as set out in the record on Exhibit XVIII.

IT IS THEREFORE ORDERED that the rates prescribed and set forth in Appendix "A" attached hereto are the fair, just, and reasonable rates to become effective for services rendered on and after the date of this Order.

IT IS FURTHER ORDERED that the rates proposed by the Applicant are unfair, unjust, and unreasonable in that they would produce revenues in excess of those found reasonable herein and are hereby denied.

IT IS FURTHER ORDERED that a certificate of convenience and necessity is hereby granted to the Applicant for improvements and repairs which are required by the Louisville and Jefferson County Board of Health.

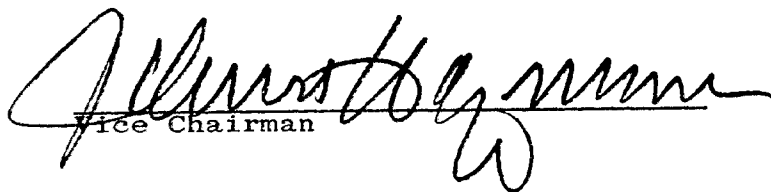
IT IS FURTHER ORDERED that the Applicant shall file with this Commission within twenty (20) days from the date of this Order its revised tariffs setting forth the rates approved herein.

IT IS FURTHER ORDERED that the Applicant shall file current copies of its Rules and Regulations for the providing of service to its customers along with the filing of its revised tariff.

Done at Frankfort, Kentucky, this the 20th day of February, 1981.

UTILITY REGULATORY COMMISSION

Did not participate  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7907 DATED FEBRUARY 20,  
1981

The following schedule of rates are hereby prescribed for the customers served by the Maple Grove Sewer Construction District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect prior to the date of this Order.

<u>Service</u>	<u>Monthly Charge</u>
Single-Family Residential	\$ 12.70 per Residence
Commercial	\$ 13.65 per Residential Equivalent