

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of

ADJUSTMENT OF RATES OF )  
HAVALOCK SANITATION ) CASE NO. 7971  
COMPANY )

O R D E R

On September 17, 1980, Havalock Sanitation Company (Applicant) filed an Application with the Commission proposing to increase its annual revenues by \$14,425. Applicant provides sewage service to 191 single family residences in Havalock Subdivision, Jefferson County, Kentucky.

The Commission set a public hearing on this matter for October 29, 1980, and directed the Applicant to publish its proposed rates and notice of such hearing as prescribed by Kentucky law and the rules and regulations of this Commission.

The hearing was held as scheduled with the Attorney General's Division of Consumer Intervention being the sole intervenor in this matter although several consumers attended the hearing and made statements on the record. The matter was then submitted to the Commission for final determination. All requested information has been filed and made a part of the record.

TEST PERIOD

The Commission has accepted the Applicant's proposed test year, the twelve month period ending June 30, 1980, to determine the reasonableness of the proposed rate.

REVENUES AND EXPENSES

Applicant proposed several pro forma operating expense adjustments to more clearly reflect current operating conditions. The Commission finds these adjustments to be known and measurable and accepts them for rate making purposes with the following exceptions.

Salaries:

The Commission has reduced Applicant's proposed adjustment for administrative salaries from \$4,200 to \$1,800. The Commission finds the proposed adjustment excessive and unjustified by the evidence of record.

Reserve Fund:

The pro forma requested reserve fund of \$2,000 for short-lived plant and equipment was disallowed by the Commission as it is no longer considered an appropriate expense item for rate-making purposes. The Commission finds that sewage utilities, in general, fail to properly administer and maintain this fund and further, that capital needs for plant replacement should be borne by the corporations stockholders.

Utilities:

Applicant proposed adjusted water and electric costs of \$1,365 and \$7,531 respectively. The Commission finds it necessary to further adjust water costs to \$1,433 and electric costs to \$8,205 based on Louisville Water Company rates effective January 1, 1981, and Louisville Gas and Electric rates effective September 24, 1980.

The Commission has included sludge hauling expenses of \$95 for rate making purposes based on information submitted November 5, 1980.

Therefore, Applicants test period operations are adjusted as follows:

	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted</u>
Operating Revenues	\$ 17,663	\$ -0-	\$ 17,663
Operating Expenses	20,743	4,550	25,293
Net Operating Income	\$ <u>(3,080)</u>	\$ <u>(4,550)</u>	\$ <u>(7,630)</u>

Applying an operation ratio of eighty-eight per cent (88%) to Applicant's adjusted operating expenses of \$25,293 produces required operating revenues of \$29,840 including federal, state and local taxes. Adjusted test year revenues result in an operating revenue deficiency of \$12,177, the additional revenues granted herein.

SUMMARY

The Commission, after consideration of the evidence of record and being advised so FINDS that the rate set forth in Appendix "A" attached hereto and made a part hereof, is the fair, just and reasonable rate to charge for sewage service rendered by Havalock Sanitation Company in that it will permit the Applicant to meet its reasonable operating expenses and to accumulate a reasonable surplus for equity growth. The Commission further finds that the rate proposed by the Applicant is unfair, unjust and unreasonable in that it produces operating revenues in excess of those found reasonable herein and should be denied.

IT IS THEREFORE ORDERED, that the rate sought by Havalock Sanitation Company in this case be and the same is hereby denied.

IT IS FURTHER ORDERED, that the rate set forth in Appendix "A" attached hereto and made a part hereof is approved for sewage service rendered on and after the date of this Order.

IT IS FURTHER ORDERED, that the Applicant shall file with this Commission within thirty (30) days from the date of this Order its revised tariff sheets setting out the rate approved herein.

Done at Frankfort, Kentucky, this the 23rd day of January, 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.  
7971 DATED JANUARY 23, 1981

The following rates are prescribed for all customers served by Havalock Sanitation Company. 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>Customer Category</u>	<u>Monthly Rates</u>
Single-Family Residential	\$13.15 per residence