

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF COPPERFIELD)
DISPOSAL SYSTEM, INC., FOR AN)
ORDER PURSUANT TO CHAPTER 278 OF)
THE KENTUCKY REVISED STATUTES FOR)
A CERTIFICATE OF PUBLIC CONVEN-)
IENCE AND NECESSITY AND FOR AN) CASE NO. 8889
ORDER APPROVING UNIFORM RATES FOR)
A WASTE WATER TREATMENT SYSTEM)
TO SERVE THE RESIDENTS OF COPPER-)
FIELD SUBDIVISION, JEFFERSON)
COUNTY, KENTUCKY)

O R D E R

Copperfield Disposal System, Inc., ("Copperfield") filed its application on August 26, 1983, for a certificate of public convenience and necessity authorizing the construction of a 68,000 gallon per day sewage treatment plant and collection system and approval of proposed initial rates.

A hearing was held on November 15, 1983, in the offices of the Public Service Commission in Frankfort, Kentucky. At the hearing certain requests for additional information were made. This information has been filed.

A copy of a letter from the Natural Resources and Environmental Protection Cabinet approving Copperfield's plans and specifications for the proposed project is on file with this Commission.

TEST PERIOD

This is a proposed rather than an operating utility, and test-year information does not exist. Estimated pro forma expenses are utilized for the determination of revenue requirements.

PROJECTED REVENUES AND EXPENSES

Copperfield projected operating expenses on the basis of providing service to 170 residential customers. The Commission is of the opinion that the projected operating expenses generally are proper and they have, therefore, been accepted with the following exceptions:

Professional Services

Copperfield proposed to include in its anticipated operating expenses the initial Rate Case Expense of \$4,400 to be amortized over a 3-year period. It is the Commission's policy that organizational expenses be amortized over the life of a sewage treatment facility. Therefore, the Commission has determined the appropriate Professional Services expense based on a 20-year life to be \$220, a decrease of \$1,247.

Taxes

Copperfield proposed to include in its anticipated operating expenses local, state, and federal taxes of \$900 per year. The Commission has determined the appropriate taxes based on current rates to be \$1,091, an increase of \$191.

Agency Collection Fee

Copperfield proposed to include in its anticipated operating expenses the Louisville Water Company ("LWC") Collection Charge for the collection of its bi-monthly sewer bill. The Commission has determined the appropriate charge based on current LWC rates to be \$1,289, an increase of \$96.

REVENUE REQUIREMENTS

Based on the current number of customers being served by Copperfield, the rates proposed will not provide sufficient revenues to meet operating expenses and provide for adequate equity growth. The Commission is of the opinion that the rates proposed by Copperfield are promotional in nature and that subsidization by the developers will be required until such time as the number of customers served enables it to become self-supporting. The Commission will approve the rates proposed by Copperfield.

FINDINGS AND ORDERS

Based on the evidence of record, the Commission finds that:

1. Public convenience and necessity require that the construction proposed in the application be performed, and that a certificate of public convenience and necessity be granted.
2. The construction project proposed by Copperfield consists of a sewage collection system and a 68,000 gallon

per day sewage treatment plant to provide sewage service for a proposed subdivision consisting of 170 single-family residential lots.

3. The total cost of the construction project is estimated to be \$225,500 which will be recouped by Copperfield at such time as all 170 lots of the proposed development have been sold.

4. The proposed initial rate is inadequate at this time to produce the revenue required to meet Copperfield's operating expenses and provide for sufficient capital growth.

5. The rates proposed by Copperfield are promotional in nature.

6. A utility formed by real estate developers should not request initial rates which are insufficient to meet its anticipated operating requirements. It has been the Commission's experience that rates which are inadequate result in higher operating expenses because of the utility's continuing need to request increased rates. Moreover inadequate initial rates are unfair to the purchasers of the developed lots who expect to pay low sewage fees for a period of time longer than these rates are usually in effect.

7. Copperfield represented to the Commission that it will subsidize any shortfall of operating revenue until the subdivision can become self-supporting. The granting of a certificate of public convenience and necessity and approval

of the rates herein are expressly conditioned on the performance by Copperfield of such undertaking, and further, on full written disclosure by Copperfield to its customers that rates may not reflect all the costs of operation of the treatment system. The disclosure should be made before such customers have committed themselves to purchase property to be served by the system, and should be in substantially the following form:

The current rate for sewage disposal services for the subdivision is not sufficient to cover operating expenses without a subsidy from the developer. If the development does not continue as anticipated, your rate may increase substantially.

8. Copperfield has filed with the Public Service Commission a third-party beneficiary agreement as a part of its application.

9. Copperfield should furnish duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

10. Copperfield should furnish to the Commission a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications, within 60 days of the date of substantial completion of this construction.

IT IS THEREFORE ORDERED that Copperfield be and it hereby is granted a certificate of public convenience and necessity to proceed with the construction of the sewage treatment and collection system described in the application and record.

IT IS FURTHER ORDERED that the rate in Appendix A be and it hereby is fixed as the fair, just and reasonable rate to be charged by Copperfield for sewage disposal service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that Copperfield shall abide by the conditions in Finding No. 5. Further, Copperfield shall notify the existing property owners within 30 days of the date of this Order and shall furnish to the Commission written acknowledgement of notice as contained in Appendix B to this Order, within 30 days of the date of this Order. Further, Copperfield shall furnish to the Commission on a quarterly basis, as required, written acknowledgement of notice from each prospective customer as contained in Appendix B to this Order.

IT IS FURTHER ORDERED that Copperfield shall file its tariff sheets setting forth the rate approved herein, within 30 days of the date of this Order.


IT IS FURTHER ORDERED that Copperfield shall file with the Commission duly verified documentation which shows the

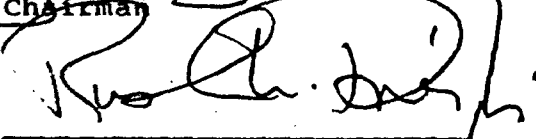
total costs of the construction herein certificated including all capitalized costs (engineering, legal, administrative, etc.), within 60 days of the date that construction is substantially completed.


IT IS FURTHER ORDERED that Copperfield shall furnish this Commission with "as-built" drawings and a signed statement that the construction has been satisfactorily completed and has been done in accordance with the contract plans and specifications, within 60 days of the date of substantial completion of the proposed construction.

Done at Frankfort, Kentucky, this 26th day of January, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8889 DATED
JANUARY 26, 1984

The following rate is prescribed for sewage disposal service to customers of Copperfield Disposal System, Inc., located in Copperfield Subdivision in Jefferson County, Kentucky.

RATES

MONTHLY CHARGE

Single-Family Residential

\$19.10

APPENDIX B

APPENDIX TO AN ORDER OF THE PUBLIC
SERVICE COMMISSION IN CASE NO. 8889
DATED JANUARY 26, 1984

I have read and fully understand the following:

The current rate for sewage disposal services for the subdivision is not sufficient to cover operating expenses without a subsidy from the developer. If this development does not continue as anticipated, my rate may increase substantially.

Customer's Signature

Address

Date