

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF KENTUCKY-                    )  
AMERICAN WATER FOR                        )     CASE NO. 9093  
CERTIFICATION OF DEPRECIATION            )

ORDER

On March 12, 1985, the Commission issued its Order in this matter approving depreciation rates for the plant accounts of Kentucky-American Water Company ("Kentucky-American"). The Commission made the depreciation rates effective January 1, 1985.

On March 26, 1985, Kentucky-American filed an application for rehearing, requesting the Commission to reconsider and modify its March 12, 1985, Order to allow expensing on September 19, 1985, the date it should receive revenues sufficient to offset the increase in expense, under its current rate application, Case No. 9283, Notice of Adjustment of Rates of Kentucky-American Water Company, Effective On and After April 19, 1985. The March 12, 1985, Order required expensing of the new depreciation rates on and after January 1, 1985.

The Commission, after consideration of the merits set forth by Kentucky-American in its application and after consideration of other factors, has decided to allow Kentucky-American to book the

increased expense from the change in depreciation rates no earlier than January 1, 1985, and no later than the effective date of either the Commission's Final Order in Case No. 9283 or the date said case is withdrawn should Kentucky-American for any reason withdraw its application.

The Commission, in making this decision, advises Kentucky-American and its parent company, American Waterworks Company, Inc., to seek an opinion from their independent auditors to assure that a delay in the booking of this expense will not violate generally-accepted accounting procedures or misstate earnings. The Commission further advises Kentucky-American that its ratepayers will not bear any risk in future rate proceedings stemming from adverse investor perception of an unfavorable or qualified opinion by an independent auditor on this issue.

The Commission is further of the opinion that a hearing is not required in resolving this matter.

IT IS THEREFORE ORDERED that Kentucky-American is authorized to book the increased expense resulting from the depreciation rates approved in this case no earlier than January 1, 1985, and no later than either the effective date of the Commission's Final Order in Case No. 9283 or the date said case is withdrawn by Kentucky-American.

IT IS FURTHER ORDERED that all other requirements of the Commission's March 12, 1985, Order, not specifically mentioned herein, shall remain in full force and effect.

Done at Frankfort, Kentucky, this 15th day of April, 1985.

PUBLIC SERVICE COMMISSION

*Richard D. Hemmen, Jr.*  
Chairman

*R. W. Logan, Jr.*  
Vice Chairman

*James H. Smith*  
Commissioner

ATTEST:

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Secretary