

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE OF ADJUSTMENT OF THE)
RATES OF KENTUCKY-AMERICAN) CASE NO. 9283
WATER COMPANY)

ORDER FOR REHEARING

On October 1, 1985, the Commission entered an Order granting Kentucky-American Water Company, Inc., ("Kentucky-American") \$1,061,127 in increased operating revenues. On October 18, 1985, Kentucky-American filed a petition for rehearing of the Commission's Order on the ground that the Order improperly excluded from Kentucky-American's rate base \$3,177,386 of costs associated with the construction of a 24-inch distribution main. Responses to the petition for rehearing were filed by the intervenors, Lexington-Fayette Urban County Government and the Consumer Protection Division of the Attorney General's Office on October 31, and October 28, 1985, respectively.

DISCUSSION

Kentucky-American stated in its petition that if the sole reason for denial of its proposal to include the committed construction was the failure to include attributable revenue then the Commission could attribute \$4,729 in revenues to the construction as shown in its petition for rehearing. This information was readily available and could have been provided prior to the issuance of the Order in this proceeding. There was extensive cross-examination on this issue during which the

Commission specifically asked if any adjustments to revenues had been made for the committed construction. None were offered prior to Kentucky-American's request for rehearing.

Futhermore, and more importantly, the Commission stated in its October 1, 1985, Order that to include capital additions beyond the historical test period would require a forecasted or future test year that would take into account the matching of all operating factors (rate base, revenue and expense) at some future point in time. The Commission considers the mismatch of any of these factors to be undesirable.

Kentucky-American has presented no information in its petition that could not have been presented during the normal review of this case and Kentucky-American's petition for rehearing should be denied.

The Commission also denies Kentucky-American's request to amend the final Order concerning the due date for the study of demand reduction techniques. This request for modification highlights the difficulty of linking the submission of the study with the submission of a general rate application. The Commission can only modify its October 1, 1985, Order as follows: The filing date of the final report on demand reduction techniques will be established by the Commission after reviewing the preliminary plan detailing the schedule and process Kentucky-American intends to use in evaluating these techniques. The due date for the preliminary plan remains 90 days from the date of the original Order.

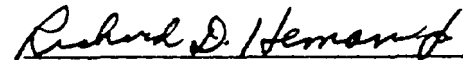
IT IS THEREFORE ORDERED that:

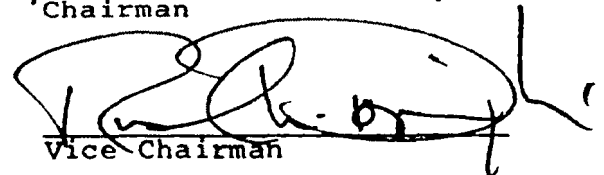
1. Kentucky-American's petition for rehearing on the issue of committed construction be and is hereby denied.

2. The requirements of the Commission's Order of October 1, 1985, be and are hereby amended as set out above.

Done at Frankfort, Kentucky, this 7th day of November, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Did not participate
Commissioner

ATTEST:

Secretary