

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LAUREL COUNTY)
WATER DISTRICT NO. 2 FOR THE)
INCREASE OF CERTAIN NON-RECURRING) CASE NO. 9638
CHARGES)

O R D E R

On July 7, 1986, Laurel County Water District No. 2 ("Laurel No. 2") filed tariffs with the Commission to increase tap on fees and certain non-recurring service charges with a proposed effective date of August 1, 1986.

The Commission is of the opinion and finds that, pursuant to KRS 278.190, further proceedings are necessary in order to determine the reasonableness of the proposed rates and that such proceedings cannot be completed prior to the proposed effective dates.

Pursuant to 807 KAR 5:011, Section 10, Laurel No. 2 must submit to the Commission the following information:

(1) Each requested rate revision must be accompanied by:

(a) A specific cost justification for the proposed rates and a full description of the equipment or service provided under tariff (807 KAR 5:001, Section 6(2c)). The proposed rates should at least cover incremental costs, and a reasonable contribution to overhead. Incremental costs are defined as those costs which would be specifically incurred in the provision of this service.

(b) A copy of the public notice of each requested rate revision and verification that it has been made pursuant to 807 KAR 5:011, Section 8. In addition to the notice requirements contained in Section 8 of this regulation, the utility shall also mail a copy of its filing to the Attorney General's Consumer Protection Division. The Attorney General will then have 10 days to notify the Commission in writing if it requests a hearing in a particular case.

(c) A detailed statement explaining why the proposed changes could not have been included in the most previous general rate case, and why current conditions prevent deferring the proposed changes until the next general rate request.

(d) An impact statement identifying the group of customers affected by the proposed tariff. The impact statement shall identify potential as well as existing customers.

(e) A copy of the utility's income statement and balance sheet for a recent 12-month period.

(2) If the additional revenue to be generated from the proposed tariff revisions exceeds by 5 percent the total revenues provided by all miscellaneous and non-recurring charges for a recent 12-month period, the utility must file, in addition to the information set out in (1)(a) above, the following: An absorption test showing that the additional net income generated by the tariff filing will not result in an increase in the rate of return (or other applicable valuation methods) to a level greater than that which was allowed in the most recent rate case. Any general rate increases received during the 12-month period must be

annualized. Any significant cost changes may be included but must be documented as part of the filing.

There is no need for an absorption test in relation to tap on fees. These charges are properly accounted for as a capital expenditure. They are not recorded as revenues and have no impact on the district's income statement.

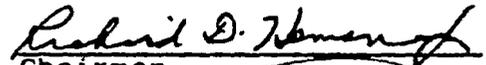
IT IS THEREFORE ORDERED that:

1. The proposed rates be and they hereby are suspended for 5 months on and after the date of this Order.

2. Within 30 days from the date of this Order Laurel No. 2 shall file with the Commission all information as herein prescribed in compliance with 807 KAR 5:011.

Done at Frankfort, Kentucky, this 1st day of August, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director