

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF FRIENDLY UTILITIES,)
INC., D/B/A FRIENDLY HILLS EAST SEWER)
SYSTEM FOR A RATE ADJUSTMENT PURSUANT) CASE NO. 9129
TO THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

O R D E R

On June 16, 1986, the Commission ordered Friendly Utilities, Inc., ("Friendly") to refund to its customers the excess revenues collected through the rates in effect from March 22, 1985, through May 7, 1986. On October 27, 1986, Friendly filed its plan for refunding the over-collection. On November 6, 1986, Friendly Hills East Neighborhood Association, Inc., ("Neighborhood Association") filed its objection to the refund plan. A hearing was held on January 21, 1987, to allow Friendly the opportunity to present evidence in support of its refund plan.

COMMENTARY

The refund plan in question is Friendly's Plan "B" which is premised upon the transfer of Friendly's sewage treatment facilities and operations to the Louisville and Jefferson County Metropolitan Sewer District ("MSD").¹ Said transfer was approved by the Commission in Case No. 9715, The Transfer of Carroll F. Cogan's Jefferson County Sewage Treatment Plants to the Louisville

¹ Commission Order in Case No. 9129, dated December 5, 1986, page 2.

and Jefferson County Metropolitan Sewer District.² Therein the Commission ordered that \$8,709, the amount of the over-collection, should be withheld by MSD in an escrow account pending the Commission's final decision in this case.

Friendly contends that since the reduction in rates resulting from the transfer is greater than the amount each individual customer would receive from the total refund of \$8,709, no refund is necessary. The Commission is of the opinion that Friendly's contention is improper, erroneous and totally without merit. Friendly's Plan "B" does not result in a refund of the \$8,709 over-collection. It merely reflects the reduced rates charged by MSD compared to the rates Friendly had charged. The customers would receive this rate regardless of the \$8,709 they are owed by Friendly.

MSD has indicated its willingness to participate in the refunding of the over-collection provided it is able to recover the related costs from the \$200,000 escrow account established in Case No. 9715 for the purpose of meeting the liabilities of Mr. Cogan's sewer companies. The Commission believes such recovery to be proper inasmuch as MSD should not be penalized for events that occurred prior to its ownership of the utility.

MSD should accomplish the refund by making direct, individual payments in the amount of \$33.84 to each of Friendly's customers. The Commission will allow MSD to recover the costs of preparing, issuing and mailing these checks.

² Commission Order in Case No. 9715, dated October 30, 1986.

SUMMARY

The Commission, after consideration of the evidence of record, is of the opinion and finds that:

1. The customers of Friendly are entitled to a refund of the \$8,709 over-collection of revenues which occurred from March 22, 1985, to May 7, 1986.

2. MSD, which is presently holding the \$8,709 in escrow, should administer the refund by direct payments to Friendly's customers.

3. MSD should recover its costs of administering the refund from the \$200,000 escrow account established in Case No. 9715 in conjunction with MSD's acquisition of Friendly and 26 other utilities. Recovery is limited to those direct costs identified herein.

4. MSD should file with the Commission, within 30 days of the date of this Order, documentation showing that the refund has been accomplished.

IT IS THEREFORE ORDERED that:

1. The refund of \$8,709 to the customers of Friendly be and it hereby is approved.

2. The refund plan proposed by Friendly be and it hereby is rejected.

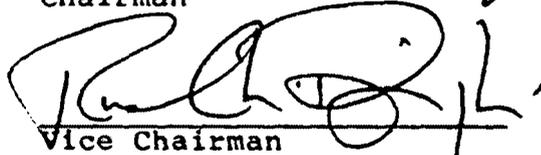
3. The refund shall be implemented by MSD in accordance with Findings Nos. 2 and 3 herein.

4. MSD shall document the implementation of the refund in accordance with Finding No. 4 herein.

Done at Frankfort, Kentucky, this 12th day of February, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director