

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SCHMIDT, INC.,)
D/B/A PLEASANT VIEW SUBDIVISION,)
FOR A RATE ADJUSTMENT PURSUANT TO) CASE NO. 10050
THE ALTERNATIVE RATE FILING)
PROCEDURE)

O R D E R

On April 8, 1988, the Commission issued an Order approving an annual revenue increase of \$7,488 for Schmidt, Inc. ("Schmidt").

On April 14, 1988, the Attorney General's Utility and Rate Intervention Division ("Attorney General"), an intervenor in this case, filed a Petition for Reconsideration of the Commission's final Order entered April 8, 1988.

DISCUSSION

The Attorney General has based the request for reconsideration on four issues. The first issue concerns the management fee expense granted Schmidt, which the Attorney General contends should be disallowed because there is space available to maintain an office on the utility property. The second issue raised for reconsideration concerns the amount of maintenance expense granted to Schmidt. The Attorney General states that "it is reasonable to infer that some portion of the non-routine expenditures have been caused by improper or insufficient routine maintenance practices over the years." As to the third issue raised, the customer accounts expense, the Attorney General states that the amount of

expense allowed appears unreasonable based upon the nature of the services performed. With respect to the three issues raised above, the Attorney General indicates his concern is the extent to which these allowed expenses represent payment to three members of the Schmidt family.

The fourth issue raised for reconsideration concerns application of the 88 percent after tax operating ratio as a proper method of computing the revenue requirement for Schmidt. The Attorney General argues that this method of calculation is unreasonable because Schmidt has paid no income tax in the past.

The Attorney General has offered no new evidence on any of the issues raised in the petition. All of these issues were raised at the hearing and the Attorney General and other intervenors had ample opportunity to develop evidence and testimony and to cross-examine Commission Staff.

The Commission has considered these issues and continues to be of the opinion that the expenses allowed and the 88 percent after tax operating ratio used to determine the revenue requirement are reasonable in this case. Thus, the Commission declines to rehear arguments on issues which were properly raised and developed at the hearing. The Commission therefore finds that the petition for reconsideration should be denied.

IT IS THEREFORE ORDERED that the Attorney General's application for reconsideration be and it hereby is denied.

Done at Frankfort, Kentucky, this 3rd day of May, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Hemmoff
Chairman

Robert M. Davis
Vice Chairman

James W. Williams
Commissioner

ATTEST:

Executive Director