

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

INVESTIGATION INTO DELAPLAIN	)	CASE NO.
DISPOSAL COMPANY	)	89-218

ORDER TO CEASE AND DESIST AND TO SHOW CAUSE

Delaplain Disposal Company ("Delaplain") has pending before this Commission an application for an increase in rates and for approval of construction and financing.<sup>1</sup> This Order initiates a separate case and does not address Delaplain's requested rate increase.

The Commission finds that the aforementioned application of Delaplain, pertinent portions of which are attached hereto and marked Exhibit "A," provides a prima facie showing that Delaplain has begun the construction of facilities without obtaining a certificate from the Commission that public convenience and necessity require such construction, in violation of the provisions of KRS Chapter 278. Exhibit "A" also provides a prima facie showing that Delaplain obtained financing for said construction without the authorization of the Commission in violation of the provisions of KRS Chapter 278.

In addition, the Commission finds from the documentation attached hereto and marked Exhibit "B" that a prima facie showing

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<sup>1</sup> Case No. 89-060, The Application of Delaplain Disposal Company for a Certificate of Convenience and Necessity and to Increase Rates.

has been made that Delaplain has implemented tap-on fees of \$2500 to seven industrial customers without notification to or approval by the Commission in violation of the provisions of KRS Chapter 278.

IT IS THEREFORE ORDERED that:

1. Delaplain shall immediately cease and desist from charging any fees which have not been approved by the Commission.

2. Delaplain shall appear at a hearing scheduled for September 12, 1989 at 9:00 a.m., Eastern Daylight Time, in Hearing Room No. 1 at 730 Schenkel Lane, Frankfort, Kentucky, and be prepared to show cause:

(a) Why it should not be penalized pursuant to KRS 278.990 for violating provisions of KRS Chapter 278, including KRS 278.020 and KRS 278.300.

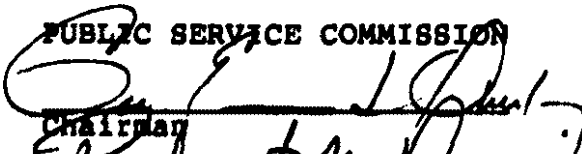
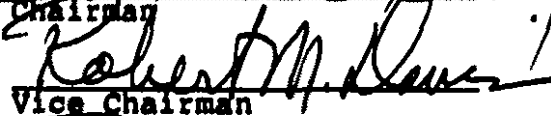
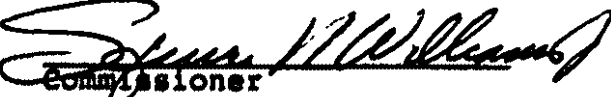
(b) Why it should not be required to refund all unauthorized tap-on fees collected prior to receiving Commission approval, or be otherwise fined pursuant to KRS 278.990 for violating provisions of KRS Chapter 278, including KRS 278.160.

In an effort to narrow the issues in this case and to discuss settlement, an informal conference will be held in the Commission's offices at Frankfort, Kentucky, on August 15, 1989 at 1:30 p.m., Eastern Daylight Time.

Done at Frankfort, Kentucky, this 8th day of August, 1989.

ATTEST:

\_\_\_\_\_  
Executive Director

PUBLIC SERVICE COMMISSION  
  
Chairman  
  
Vice Chairman  
  
Commissioner

# Delaplain Disposal Company

P.O. Box 1498  
Lexington, Kentucky 40591

March 13, 1989

**FILED**

Mr. Forest M. Skaggs, Secretary  
Public Service Commission  
P.O. Box 615  
730 Schenkel Lane  
Frankfort, Kentucky 40602

MAR 16 1989

PUBLIC SERVICE  
COMMISSION

89.060

Mr. Skaggs:

In accordance with 807 KAR 5:076 as a small sanitary sewer utility, we are requesting a rate increase to offset increased operating costs, capital construction, and significant repairs to the existing system.

Documents accompanying this request are as follows:

1. Application for rate adjustment for small utilities with attachments ..... 10 copies
2. 1988, 1987, and 1986 annual reports ..... 1 copy
3. Sample notification letter to customers ..... 1 copy
4. Construction plans - plant and collection system ..... 3 copies

A copy of the application with attachments is being submitted concurrently to the Division of Consumer Protection at the Attorney General's office in accordance with your regulations.

Construction of the proposed improvements is nearing completion. We would appreciate an expeditious review of the construction documents and your review of the rate adjustment as quickly as possible. Please contact me at 606/223-8000 for additional information that may be required or any questions you may have.

DELAPLAIN DISPOSAL COMPANY

By:   
Joe C. Lewis  
Agent

EXHIBIT "A"

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

Depreciation/Interest related to the bringing on line and beginning to debt service and depreciate cost of the new facility.

Cost to date	\$569,000
Cost at completion	\$670,000

See attached schedule of depreciation

Utilities - Based on the actual cost of utilities incurred in November and December. See attached invoices

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each such class:

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
Residential	13.50/mo	24/mo	178%
Commercial	1.40/per 1000 galltons	% share of fixed cost based on capacity. 1.53 variable cost per 1000 galltons	Varies

FILED

JUN 23 1989

PUBLIC SERVICE  
COMMISSION

ITEM 1 - PROJECTED REVENUE

The projection of revenues based on the proposed rates for years 1989 through 2003 are attached. The basis for these projections is as follows:

- Residential growth is projected at 10 new customers per year to the present maximum lots permitted in Moonlake Subdivision of 152. Residential customer count as of this date is 64, an increase of 11 since December 31, 1988.
- Commercial/industrial growth is projected at 15,000 gallons per day (gpd) per year until full plant capacity is reached. Plant capacity of 240,000 gpd less the residential commitment of 152 customers at 400 gpd, leaves a total of 84,000 gpd left for commercial/industrial growth (5.6 years).
- Usage is based on actual 1988 volume of 12,545,000 gallons plus the addition of the new truck stop/restaurant which opened in January. This added discharge was projected to be 20,000 gpd based on a similar facility near Glendale, Kentucky. The total 1989 usage was projected at 19,658,000 gallons per year.
- The annual positive/negative cash flow is based on the payment of fixed and variable costs plus debt service only. Depreciation, debt service reserve and profit is foregone.

ITEM 2 - NEW COMMERCIAL/INDUSTRIAL CUSTOMERS

Four new customers have been connected to the system since January 1, 1989. Their monthly flows (in gallons), based on water billings, is as follows:

<u>Customer</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
Centennial Real Estate		30,000	6,750	6,750
KDOT Weigh Station	2,000	2,000	2,000	2,000
Grandma's Kitchen		398,250	250,500	253,500
Auto Truck Garage		125,250	66,000	89,250
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Total Flow			325,250	351,500
Average Daily Flow			10,840	11,340

Note: Billings in March reflect the first bill which, more than likely, incorporate water consumption in January and/or February, as well as March.

**ITEM 3 - TAP FEE JUSTIFICATION**

When Triport Industrial Park and Triport Disposal Company were purchased by the present ownership entity in 1986, administrative policies under which the company was operating were passed along to the new owners. These policies consisted of a number of PSC Orders and Findings, previously executed service agreements, and verbal instructions. The commercial/industrial tap fee was one of the policies verbally transmitted.

Our review of the PSC Order in Case No. 7979 dated May 15, 1981, indicated approval of a \$500 tap fee for all residential customers. There was no reference to commercial/industrial customers in any of the findings, and the fee was continued.

The proposed \$2,500 tap fee cannot be justified on the basis of actual construction costs required to make the tap and extend the service lateral 25 feet. The \$500 tap fee, however, is appropriate based on our most recent Moonlake connection.

Plumber's time and materials ..... \$ 350

Agent's time to locate line, coordinate  
with owner, inspect construction  
4 hours @ \$37.50 ..... \$ 150

It should be noted, the existing collection system was constructed prior to 1986. Lateral vyes and manhole stub-outs that are indicated on drawings of the system, either do not exist or have not been found. Each new customer has necessitated the installation of a vye-branch in the main line or the cutting of a hole in the existing manhole wall.

**ITEM 4 - 1988 TAP FEE BREAKDOWN**

Residential	8 @ \$500	=	\$ 4,000
Commercial/Industrial	3 @ \$2,500	=	\$ 7,500
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Total Fees			\$11,500