

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LEDBETTER WATER)	
DISTRICT FOR RATE ADJUSTMENT PURSUANT)	
TO THE ALTERNATIVE RATE FILING)	CASE NO. 89-107
PROCEDURE FOR SMALL UTILITIES)	

O R D E R

On August 3, 1989, the Commission authorized Ledbetter Water District ("Ledbetter") to collect a monthly surcharge of \$5 per customer for a period not to exceed 15 months to retire its short-term debt of \$63,075, incurred to construct a water main from the city of Grand Rivers ("Grand Rivers"). The Commission further ordered that the proceeds of this surcharge would be used solely for this purpose. Under the terms of the Commission's Order, Ledbetter's authority to assess the customer surcharge would immediately cease and refunding of all surcharge proceeds would be required if the surcharge were used for other purposes.

By letter dated January 10, 1991, Ledbetter advised the Commission that its short-term debt had been retired, collection of the surcharge had ceased, and \$4,199.24 remained in its surcharge account. Ledbetter requested that the Commission grant it permission to close the surcharge account and apply those remaining funds to a water line extension project.

The water line extension project would involve the construction of 8,500 linear feet of 6-inch water main at a total cost of

\$21,500. Ledbetter would immediately gain 10 new customers from this extension. Each new customer would contribute \$500 toward the extension's cost with Ledbetter paying the remaining \$16,500. Ledbetter stated that the surrounding area is "ripe for development" and predicts that more customers will be added.

Surcharges are extraordinary devices used to meet special expenditures and are not intended as a source of general revenue. The surcharge in the case at bar was intended to retire an emergency short-term debt. Water main extensions, such as that proposed by Ledbetter, are generally not unusual or extraordinary expenditures. To grant Ledbetter's request would be contrary to the Commission's long standing policy on surcharges. It would furthermore violate the terms of the Commission's Order of August 3, 1989. Furthermore, the proposed surcharge would benefit only a few customers, unlike the service main from Grand Rivers which benefited the entire system. As such, it would be more appropriate for Ledbetter to fund its extension project with its general rates.

IT IS THEREFORE ORDERED that:

1. Ledbetter's request for permission to close its surcharge account is granted.

2. Ledbetter's request for authority to use the remaining funds in the surcharge account for an extension project is denied.

3. Ledbetter shall refund the excess funds in its surcharge proceeds from its account to its customers. The refund shall be made by either direct payment or bill credit and shall be made within 60 days of the date of this Order.

4. Within 30 days of the date of refund, Ledbetter shall file with the Commission a summary statement showing a reconciliation of customer billings and the amount refunded.

Done at Frankfort, Kentucky, this 11th day of March, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director