

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF VERNA HILLS, LTD.)	
FOR A RATE ADJUSTMENT PURSUANT TO THE)	CASE NO.
ALTERNATIVE RATE FILING PROCEDURE FOR)	91-403
SMALL UTILITIES)	

O R D E R

On November 4, 1991, Verna Hills, Ltd. ("Verna Hills") applied for Commission approval of a proposed increase in its rates for sewer service to generate additional annual operating revenue of \$17,264, an increase of approximately 39 percent over test-year revenues from rates of \$44,194. Verna Hills also requested Commission approval of surcharges to pay for past-due accounts in the amount of \$39,036 in capital improvements of \$72,329.

Over the next three months, Commission Staff attempted to perform a limited review of Verna Hills' operations. Despite Commission Staff's repeated requests for Verna Hills' records, Verna Hills failed to produce its financial records which were necessary to properly evaluate the utility's proposed rate increase. On March 12, 1992, Commission Staff issued its report on the proposed rate increase in which it recommended that the proposed rates be denied because of Verna Hills' failure to produce its financial records.

By Order dated March 17, 1992, the Commission advised all parties to file comments on the Staff Report or request a hearing

no later than April 1, 1992, or the case would stand submitted to the Commission for its decision. Verna Hills Neighborhood Association, Inc. has filed a position statement in opposition to the proposed rate increase. Verna Hills has not commented or requested a hearing.¹

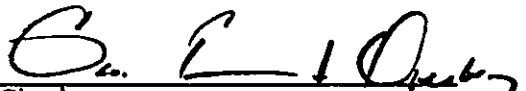
After considering the evidence of record and being otherwise sufficiently advised, the Commission finds that Verna Hills' application should be denied. KRS 278.190 places upon a utility the burden of demonstrating that its proposed rates and charges are just and reasonable. Verna Hills has failed to meet this burden. It has not produced sufficient evidence to verify its actual test-year operating revenues and expenses nor support the reasonableness of the proposed pro forma adjustments or surcharges. Verna Hills' failure to produce the required documentation, furthermore, seriously undermines its contention that the increased rates are necessary to ensure its financial existence.

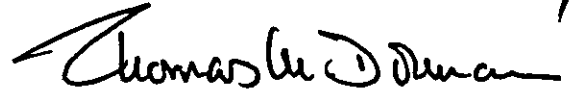
IT IS THEREFORE ORDERED that Verna Hills' application is denied.

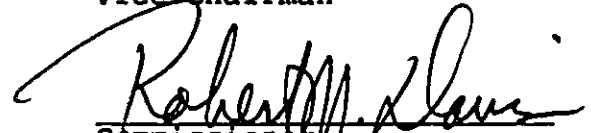
¹ On April 2 and April 7, 1992, Verna Hills submitted some of the records which the Commission previously requested. This material represents only a small portion of that sought by the Commission. It addresses neither Verna Hills pro forma adjustments nor the proposed surcharges.

Done at Frankfort, Kentucky, this 30th day of April, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director, Acting