

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LAKE)
COLUMBIA UTILITIES, INC. FOR A)
RATE ADJUSTMENT PURSUANT TO) CASE NO. 2000-458
THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

O R D E R

On October 27, 2000, Lake Columbia Utilities, Inc. ("Lake Columbia") filed an application for Commission approval to increase its monthly flat rate from \$15.00 to \$99.10 (an increase of 560.67 percent).

By Order dated June 8, 2001, the Commission issued a Staff Report that was prepared upon review of Lake Columbia's test-year operations. The Staff Report recommended that Lake Columbia's current rate be increased by \$36.40 to \$51.40, or 242.67 percent. The Order directed all parties to file comments on the Staff Report or request a hearing or informal conference within 10 days of the date of the Order or the case would stand submitted.

Upon request by Lake Columbia, an informal conference was held July 10, 2001. At the conference Lake Columbia agreed to file additional information for consideration by Commission Staff. Upon receiving and reviewing the supplemental information, Staff amended its original Staff Report.

The Amended Staff Report was issued by Order dated August 14, 2001. The amended report recommended that Lake Columbia's current rate be increased by \$35.32 to \$50.32, or 235.47 percent.

The August 14, 2001 Order granted the parties 7 days to file written comments regarding the Amended Staff Report. A comment was received from the Attorney General, who stated that Staff's basis for utilizing 32 customers was not entirely clear, but that its use was appropriate given the evidence of record. On August 22, 2001, Lake Columbia filed comments to the Amended Staff Report regarding operating revenue, routine maintenance fee, and amortization expense. Although these comments were received subsequent to the filing deadline, they have been given full consideration, and are fully addressed in this Order or in the Staff Report adopted herein.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. The Amended Staff Report utilized 32 customers when determining the rates of Lake Columbia. Through the supplemental information filed by Lake Columbia pursuant to the informal conference, it was determined that there are currently 31 paying customers and one customer receiving free service.

2. In his filed Comments For Amended Staff Report, the Attorney General alluded to the 32-customer basis and the appropriateness of the utility furnishing free service to any customer. KRS 278.170(1) provides that "[N]o utility shall, as to rates or service, give any unreasonable preference or advantage to any person. . . ." A utility may, however, provide free service to its officers, agents, or employees.

KRS 278.170(2). In this case there was reference to a customer's free service by virtue of an asset purchase agreement. However, if that person is not an officer, agent, or employee of Lake Columbia, the exception to KRS 278.170(1) permitting a utility to provide free service does not apply. The fact that free service was a negotiated item in a sale or other transaction is not relevant.¹

3. There is no provision for free service in Lake Columbia's tariff on file with this Commission.

4. The Amended Staff Report contains language with regard to the routine maintenance fee and amortization expense as they relate to the owner-manager fee. Lake Columbia's filed comments do not address that language.

5. The recommendations and findings contained in the Amended Staff Report are supported by the evidence of record, are reasonable, and should be adopted as the findings of the Commission.

6. The rates set forth in Appendix A will produce annual revenue from sewer service of \$19,322 and should be approved as the fair, just, and reasonable rates for Lake Columbia.

IT IS THEREFORE ORDERED that:

1. The findings contained in the Amended Staff Report are adopted and incorporated by reference into this Order as if fully set out herein.

2. The rates set forth in Appendix A are approved for service rendered by Lake Columbia on and after the date of this Order.

¹ Case No. 2001-187, The Application of Mockingbird Valley Sanitation, Inc. for Approval of the Transfer of the Mockingbird Valley Sanitation, Inc. Wastewater Treatment Plant to the Oldham County Sanitation District (August 15, 2001).

3. The rates proposed by Lake Columbia are denied.
4. Within 30 days of the date of this Order, Lake Columbia shall file with the Commission its revised tariff setting out the rates approved herein.
5. Lake Columbia shall not provide free sewage service to any customer in violation of KRS 278.170(1).

Done at Frankfort, Kentucky, this 24th day of August, 2001.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2000-458 DATED AUGUST 24, 2001

The following rate is prescribed for the customers in the area served by Lake Columbia. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Flat Monthly Sewer Rate	\$50.32
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