

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ALTERNATIVE RATE)	
FILING OF LAKE COLUMBIA)	CASE NO. 2000-458
UTILITIES, INC.)	

O R D E R

On October 27, 2000, Lake Columbia Utilities, Inc. ("Lake Columbia") filed its application for Commission approval of proposed sewer rates pursuant to 807 KAR 5:076.

On June 18, 2001, Lake Columbia requested an informal conference with Commission Staff. An informal conference was held with Staff, the Attorney General ("AG"), and intervenors on July 10, 2001.

On July 19, 2001, the AG, the only party having requested a formal hearing pursuant to 807 KAR 5:076, Section 5, withdrew his request. Consequently, on August 14, 2001, the Commission entered an Order stating that no formal hearing would be held in this case, and granting a specific time for filing written comments to the Amended Staff Report. On August 20, 2001, the AG filed his comments and on August 22, 2001, Lake Columbia filed its comments. On August 24, 2001, the Commission issued an Order setting the rates for Lake Columbia. In addition, on August 24, 2001, Lake Columbia filed a request for a formal hearing, which was subsequently denied by the Commission as untimely and insufficient under the provisions of 807 KAR 5:076, Section 5.

On September 13, 2001, Lake Columbia filed a timely motion for a rehearing pursuant to KRS 278.400. The AG filed his response to this motion on September 20, 2001.

Lake Columbia seeks rehearing upon the following three issues: operating revenues, routine maintenance fee, and rate case amortization expense.

To be granted a rehearing, an applicant must present evidence that was not readily available prior to the issuance of the Order. Re-argument of the prior issues or requesting a different outcome does not demonstrate the necessity for modification of the prior Order. Nevertheless, we have considered each of the arguments presented by Lake Columbia, as set out below, and find that the request for a rehearing should be denied.

Operating Revenues

Lake Columbia raises the issue of customer numbers in relation to a free-service customer being included in determining Lake Columbia's operating revenues for rate-making purposes. Lake Columbia points to the approval of the purchase agreement in Case No. 95-175 as standing for the proposition that a free-service customer may not be included for rate-making purposes.¹ This issue was raised when the management of Lake Columbia was unable to determine the number of customers it serves and the status of any free service. We agree with the AG that Lake Columbia is in error. We have not ordered anyone's service terminated, but have restated the requirements for free or reduced-rate service under KRS 278.170(2). Lake Columbia claims that the

¹ Case No. 95-175, The Application of Lake Columbia Estates Sewer System For Approval of the Transfer of Assets to Lake Columbia Utilities, Inc. (Order dated May 20 1996).

customer, based upon the facts, falls under the provisions of KRS 278.170(2) and is entitled to free service. However, inclusion under KRS 278.170(2) does not translate into exclusion for rate-making purposes. The question in this case is not whether the former owner is entitled to free service, but who should fund such service: the utility's paying customers or its owner. The current owner of the utility negotiated the purchase of the plant by offering free service to the previous owner. Therefore, Lake Columbia's shareholders should bear the financial burden of providing free service, not the paying customers of the utility.² Lake Columbia may continue to provide free service to its customer; likewise, the customer will be included in Lake Columbia's customer base for rate-making purposes.

Routine Maintenance Fee

In its request for rehearing, Lake Columbia again pointed out the two bids it had submitted. It further stated that the size of the plant should not be given consideration as plant size does not dictate the amount of work performed by the owner/manager, nor does it change the potential liability assumed by the owner/manager. The Commission has previously found that the owner/manager's fee is not compensation for potential liability to the owner/manager; it is compensation for participating in the management and operation of the utility. The time spent by the owner/manger relates directly to the size of the plant. We find no reason to grant rehearing upon this issue.

² Case No. 96-080, The Application of Goshen Utilities, Inc. For Approval to Provide Free Water and Sewer Service to Its Employees (Order dated June 24, 1996, at page 2, "The utilities' shareholders, not its ratepayers, will bear the cost of this free service.").

Rate Case Amortization Expense

In the original application, Lake Columbia requested that accounting fees of \$1,500 incurred for preparation of the application be amortized over 5 years. Based on the evidence presented, it was determined that this charge was excessive and that Lake Columbia itself should have prepared the application in return for a portion of the \$3,600 owner/manager fee. The amortization expense was thus denied.

The Commission's final Order gave careful consideration to the evidence and arguments presented. The request for rehearing includes no more than a restatement of arguments presented by Lake Columbia that we have already rejected.

IT IS THEREFORE ORDERED that Lake Columbia's request for a rehearing is denied.

Done at Frankfort, Kentucky, this 2nd day of October, 2001.

By the Commission

ATTEST:


Executive Director