

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WILLOW POINTE)	
SEWER FOR APPROVAL OF INITIAL RATES,)	CASE NO. 2001-088
NON-RECURRING CHARGES AND TARIFFS)	

ORDER

On April 4, 2001, Willow Pointe Sewer (“Willow Pointe”) filed its application seeking the establishment of sewer service rates, several non-recurring charges and tariffs. Willow Pointe provides sewer service to 7 residential customers in a new manufactured housing subdivision currently under development in Gallatin County, Kentucky.

The sole intervenor in this proceeding is the Attorney General’s Utility and Rate Intervention Division (“Attorney General”). Neither Willow Pointe, the Attorney General, nor Commission Staff have requested additional information or sought a hearing in this matter.

MOTION FOR DEVIATION

As part of its application Willow Pointe requested a deviation from the provision of 807 KAR 5:076, Section 1, that requires a utility to have on file with the Commission fully completed annual reports for the immediate past year and for the 2 prior years if the applicant has been in existence that long. Since the applicant has not been existence for the required 3-year period, Willow Pointe has requested a deviation from this requirement. Having considered Willow Pointe’s requested deviation, the Commission has determined that good cause for granting the deviation has been

stated, and that there is sufficient financial information in the record for it to render a decision regarding the reasonableness of Willow Pointe's initial rates. Therefore, the deviation should be granted.

TEST PERIOD

This is a new rather than an existing utility and, accordingly, test period financial information is nonexistent. Therefore, Commission Staff was unable to perform a field review to determine the reasonableness of Willow Pointe's estimated pro forma revenues and expenses.

PROJECTED REVENUES AND EXPENSES

Willow Pointe projected operating revenues and expenses of \$9,360 and \$8,237 respectively, based on providing sewer service to 30 residential customers. The Commission is of the opinion that Willow Pointe's projections are generally proper and reasonable, and they therefore have been accepted as filed.

REVENUE REQUIREMENTS

Willow Pointe's requested operations produce an operating ratio of 88 percent.¹ Since Willow Pointe is a new system that does not have a full year of actual operations, it is difficult to accurately estimate or project operating revenues and expenses. Given that Willow Pointe currently only has 7 residential customers, the Commission is concerned that the rates requested may not provide an adequate surplus necessary to cover operating expenses and equity growth without owner contributions. Therefore, one year from the date of this Order, Willow Pointe shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rate

¹ $\$8,237 \text{ (Operating Expenses)} \div \$9,360 \text{ (Operating Revenue)} = 88\%$.

approved herein is sufficient to meet its operating expenses and provide a reasonable return to Willow Pointe's owner.

TARIFF AND NON-RECURRING CHARGES

Willow Pointe requested Commission approval of its proposed tariff, which includes the following non-recurring charges:

Customer Deposit	\$ 52.00
Reconnection Charge	\$ 150.00
Disconnection Charge	\$ 150.00
Late Payment Penalty	\$ 10.00
Returned Check Charge	\$ 20.00

Upon review of the proposed tariff and cost justification provided by Willow Pointe in its application, the Commission finds that the proposed tariff and non-recurring charges are reasonable.

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

1. The requested deviation from 807 KAR 5:076, Section 1, is for good cause and should be granted.
2. The rate proposed by Willow Pointe and contained in Appendix A will produce revenue requirement of \$9,360.

IT IS THEREFORE ORDERED that:

1. Willow Pointe's motion to deviate from the provision of 807 KAR 5:076, Section 1, is granted.
2. The rate and nonrecurring charges proposed by Willow Pointe and contained in Appendix A are approved for service rendered by Willow Pointe on and after the date of this Order.

3. The tariff proposed by Willow Pointe is approved for service rendered by Willow Pointe on and after the date of this Order.

4. One year from the date of this Order Willow Pointe shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rate approved herein is sufficient to meet its operating expenses and provide a reasonable return to Willow Pointe's owner.

Done at Frankfort, Kentucky, this 11th day of May, 2001.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2001-088 DATED MAY 11, 2001

The following rates and charges are prescribed for the customers in the area served by Willow Pointe Sewer.

MONTHLY RATE

Residential Flat Rate	\$ 26.00
-----------------------	----------

NONRECURRING CHARGES

Customer Deposit	\$ 52.00
Reconnection Charge	\$ 150.00
Disconnection Charge	\$ 150.00
Late Payment Penalty	\$ 10.00
Returned Check Charge	\$ 20.00