

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HILLRIDGE)	
FACILITIES, INC. FOR AN)	
ADJUSTMENT OF RATES PURSUANT)	CASE NO. 2001-00062
TO THE ALTERNATIVE RATE FILING)	
PROCEDURE FOR SMALL UTILITIES)	

O R D E R

On March 14, 2001, Hillridge Facilities, Inc. (Hillridge) submitted an application for Commission approval to increase its monthly sewer rate from \$20.38 to \$30.38, an increase of 49 percent. The proposed increase would generate additional annual revenues of \$79,984. The application was considered filed on May 17, 2001, when certain filing deficiencies were cured.

Hillridge s proposed rate increase generated a substantial number of complaints from its customers, and the Commission granted intervention to many of those customers on October 11, 2001. In addition, the Attorney General intervened and was made a party to these proceedings.

On November 26, 2001, Commission Staff issued a Staff Report containing its findings relative to the rate increase requested by Hillridge, and recommended a monthly rate of \$24.62, an increase of 20.8 percent. Commission Staff subsequently discovered an error in the Staff Report relative to the double-recovery of amortization expense, and prepared an Amended Staff Report, which was issued on December 4, 2001 to correct this error. The Amended Staff Report recommended a monthly rate of

\$24.13. All parties were given 10 days in which to file comments or request a hearing or informal conference relative to the Staff Report and the Amended Staff Report.

In response to the Staff Report, intervenors James L. and Carol Whitledge filed comments by letter dated December 3, 2001, wherein they requested a hearing and/or informal conference, and indicated that they considered the 20.8 percent increase recommended within the Staff Report to be excessive without specific improvements included in the operating revenue to improve the appearance and operation of the Hillridge sewer treatment plant. The Commission, by its Order dated December 21, 2001, noted that the filed comments involved the question of service quality and its effect on the rate increase, and further noted that the Supreme Court of Kentucky has prohibited consideration of service issues in rate determinations. Therefore, the Commission established a hearing date of January 29, 2002 on the rate issues, subject to cancellation if no witness list or summary of testimony germane to the rate issues was filed by January 22, 2002. Because no witness list or summary of testimony was filed by the due date, the Commission issued an Order on January 25, 2002, which cancelled the scheduled hearing.

The Commission, after consideration of the evidence of record and being sufficiently advised, finds that:

1. The recommendations and findings contained in the Staff Report and the Amended Staff Report are supported by the evidence of record, are reasonable, and should be adopted as the findings of the Commission.
2. The rate in Appendix A, which is attached hereto and incorporated herein, is the fair, just, and reasonable rate for Hillridge and will produce gross annual sewer

revenues of \$201,218. This rate will allow Hillridge sufficient revenues to meet its operating expenses.

3. The rate proposed by Hillridge would produce revenues in excess of those found reasonable herein and should be denied pursuant to KRS 278.030 (1).

IT IS THEREFORE ORDERED that:

1. The rate proposed by Hillridge in its application is hereby denied.

2. The rate in Appendix A is approved for service rendered by Hillridge on and after the date of this Order.

3. Within 30 days of the date of this Order, Hillridge shall file with the Commission its revised tariff setting out the rate approved herein in conformance with 807 KAR 5:011.

Done at Frankfort, Kentucky, this 31st day of January, 2002.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2001-00062 DATED January 31, 2002

The following rates and charges are prescribed for the customers in the area served by Hillridge Facilities. 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.

Single Family Residential	\$24.13 per Month.
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