Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Larry R. Bond
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

May 29, 2008

Honorable Robert C. Moore
Attorney At Law
Hazelrigg & Cox, LLP
415 West Main Street
P.O. Box 676
Frankfort, KY 40602

RE: Case No. 2008-00042

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

Stephanie Stumbo
Stephanie Stumbo
Executive Director

SS/rs
Enclosure

Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

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Vice Chairman

Caroline Pitt Clark
Commissioner

May 29, 2008

Ronald J. Osborne
Secretary
R. A. Williams Development Co., Inc. d/b/a Cedarbrook Treatment Plant
Suite 1A
153 Prosperous Place
Lexington, KY 40509

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John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

May 29, 2008

Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

RE: Case No. 2008-00042

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Sincerely,

Stephanie Stumbo

Stephanie Stumbo
Executive Director

SS/rs
Enclosure

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE CEDARBROOK TREATMENT PLANT FOR AN ADJUSTMENT IN RATES PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES	)))))	CASE NO. 2008-00042

ORDER

On February 4, 2008, R. A. Williams Construction Company d/b/a Cedarbrook Treatment Plant ("R. A. Williams") applied to the Commission for an adjustment of its sewer rates. On May 12, 2008, R. A. Williams amended its application for rate adjustment. Finding it necessary to establish a procedural schedule to ensure the orderly and prompt review of the amended application, the Commission, on its own motion, HEREBY ORDERS that:

1. The procedural schedule in Appendix A shall be followed in this proceeding.

2. Copies of all documents served upon any party shall be served upon all other parties and filed with the Commission.

3. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

4. To be timely filed with the Commission, a document must be received by the Commission within the specified time for filing, except that any document shall be deemed timely filed if it has been transmitted by United States express mail, or by other recognized mail carriers, with the date the transmitting agency received the document

from the sender noted by the transmitting agency on the outside of the container used for transmitting, within the time allowed for filing.

5. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7).

6. Any party wishing to wave its rights to a hearing in this matter and to have the matter submitted for decision based upon the record as it exists on August 1, 2008, shall submit a written notice of waiver to the Commission no later than August 15, 2008. If all parties waive their right to a hearing, this matter shall stand submitted for decision as of that date.

7. a. The information requested in Appendix B is due on or before June 6, 2008. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and 8 copies to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. Any party shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any requests to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Done at Frankfort, Kentucky, this 29th day of May 2008.

By the Commission

ATTEST:

Stephanie Stumbo

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00042 DATED May 29th2008.

Responses to initial requests for information and production of documents shall be filed by R. A. Williams with the Commission no later than 06/13/2008

All supplemental requests for information or production of documents shall be served on the parties and filed with the Commission no later than 06/27/2008

Responses to all supplemental requests for information and production of documents shall be filed by the parties with the Commission no later than 07/14/2008

Informal conference beginning at 1:00 p.m., Eastern Daylight Time, at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky 07/24/2008

Formal hearing beginning at 9:00 a.m., Eastern Daylight Time, at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky 09/18/2008

Any party may file a written brief with the Commission no later than 10/18/2008

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00042 DATED May 29th 2008.

1. Page 2 of the application is a pro forma income statement. In its filing of May 9, 2008 ("Amendment"), R. A. Williams Construction Company d/b/a Cedarbrook Treatment Plant ("Applicant") proposed to amend its rate application to include operating expenses that were incurred in the calendar year 2006 to operate the wastewater facilities, but were not reported by Applicant in its 2006 Annual Report.[1] Provide an amended pro forma income statement reflecting the omitted operating expenses.

2. Exhibit B of the application contains the calculations of Applicant's requested revenue requirement and proposed rates. Provide a calculation of the revenue requirement determination and the proposed rate that reflects impact of the omitted operating expenses. Include all workpapers, calculations, and assumptions used to calculate the revenue requirement and the rate.

3. Explain in detail why the operating expenses listed in the May 9, 2008 filing were not reported by Applicant in its 2006 Annual Report.

4. In its explanation to the pro forma outside services adjustment,[2] Applicant references a management contract it has with Covered Bridge Utilities ("Covered Bridge").

---

[1] Annual Report of R. A. Williams to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2006 ("2006 Annual Report") at 9.

[2] Application, Exhibit A, Pro Forma Adjustments at 3.

a. Provide a copy of Applicant's management contract with Covered Bridge.

b. List the services that Covered Bridge provides to Applicant under the terms of the management agreement.

5. In its filing of May 9, 2008, Applicant states that "[t]hese expenses were incurred in 2006, as they have been incurred in each year that R. A. Williams operated the subject WWTP." Provide a schedule comparing each expense listed in the May 9, 2008 filing with those incurred in calendar years 2004 and 2005.

6. In its May 9, 2008 filing, Applicant proposes to increase its pro forma expenses by $900 to reflect employee expenses. Provide a schedule listing each employee, the hourly billing rate(s) for each service, the hourly employee wage rate, the service(s) provided, and the hours spent performing each service. Include invoices to support the service analysis provided in this response.

7. In its May 9, 2008 filing, Applicant proposes to increase its pro forma expenses by $1,200 to reflect accounting expenses. Provide a schedule listing each employee, the hourly billing rate(s) for each service, the hourly employee wage rate, the service(s) provided, and the hours spent performing each service. Include invoices to support the service analysis provided in this response.

8. In its May 9, 2008 filing, Applicant proposes to increase its pro forma expenses by $2,000 to reflect report preparation services. Provide a schedule listing each employee providing the service, the hourly billing rate(s) for each service, the hourly employee wage rate, the service(s) provided, and the hours spent performing each service. Include invoices to support the service analysis provided in this response.

9. To reflect accounting and bookkeeping fees that were reportedly incurred in 2006, Applicant is proposing to increase its pro forma operating expenses by $4,100,[3] which will result in an increase to the monthly rate of approximately $7.61 per customer.[4]

a. Given the size of the customer base and the impact the pro forma increase has on the monthly bill, explain why an accounting/bookkeeping fee of this level is reasonable.

b. Given that Applicant only has 51 customers, explain why it would require the expertise of a Certified Public Accountant.

10. Provide the number of checks that Applicant wrote to pay its operating expenses in the calendar years 2004, 2005, and 2006.

11. In its May 9, 2008 filing, Applicant proposes to increase its pro forma expenses by $1,906 to reflect legal fees incurred in the calendar year 2006 that were not recorded in its 2006 Annual Report.

a. Provide the invoices to support the proposed legal fees of $1,906. The invoices should include the attorney providing the service, descriptions of the legal services being provided, and the hourly billing rate(s) for each service.

b. On page 3 of Exhibit A of its application, Applicant is proposing to amortize legal fees of $4,391 over 6 years for an amortization expense of $732. Explain if the proposed legal fee expense of $1,906 is included in the legal fees that Applicant proposes to amortize.

---

[3] $900 (Employee Expense) + $1,200 (Accounting Costs) + $2,000 (Return Preparation) = $4,100.

[4] $4,100 ÷ 88% (Operating Ratio) = $4,659.09 ÷ 12 (Months) = $388.26 ÷ 51 (Customers) = $7.61.

12. Refer to Applicant's May 9, 2008 filing. Provide documentation and/or invoices to support the proposed operating expenses listed in Table 1 below.

Table 1 – Proposed Operating Expenses			
	Title		Amount
a.	Postage Expense	$	136.53
b.	Office Supply Expense	$	88.00
c.	Telephone Expense	$	129.00
d.	Insurance Expense	$	1,819.14
e.	Miscellaneous Repairs & Maintenance	$	180.00
f.	KPDES Permit Fee	$	1,500.00
g.	Sludge Hauling Fees	$	1,500.00

13. Refer to the May 9, 2008 filing at page 2, on which the annual rent expense of $524 is stated.

a. Provide a list of the tenants that share the office with Applicant. Identify if each tenant is affiliated with Applicant.

b. Identify the total square footage of the office and the amount that is occupied by each tenant listed in the response to 13(a).

c. Identify the owner of the office, explain any relationship between the owner and Applicant, and provide the total amount of rent paid for the office and the amount of rent that is allocated to each tenant. Include the methodology used to allocate the rent to the tenants.