

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

GENERAL ADJUSTMENTS IN THE RATES)
OF MARYVILLE SEWERAGE SYSTEM, INC.) CASE NO. 7558

O R D E R

(Petition For Rehearing)

This Order is entered in response to the "Petition for Rehearing" filed July 16, 1980 by the Utility (Maryville Sewerage Systems, Inc.) and the August 27, 1980 hearing at which additional evidence and testimony were presented by the Utility.

Certain matters included in the Commission's Order entered June 27, 1980 are supplemental and revised herein. Said Order was entered in response to the Application of the Utility filed August 29, 1979 and the October 25, 1980 hearing in response thereto. All matters set forth in the Order entered June 27, 1980 not specifically addressed and modified herein shall remain in full force and effect.

The evidentiary record of the Petition for Rehearing is now considered to be fully submitted for the Commission's final determination of the matters included therein.

Findings In This Matter

The Commission, after consideration of the Utility's Petition for Rehearing, reconsideration of certain aspects of the Order entered June 27, 1980, the additional evidence and testimony presented at the August 27, 1980 hearing, and being advised is of the opinion and finds:

1. The Utility challenged the number of customers found reasonable for establishment of rates and the computation of revenues. The Commission, however, finds no justifiable basis for reducing this number to less than 2025 and, hereby, reiterates its finding of the June 27, 1980 Order that 2025 should fairly

represent the average number of customers served by the Utility during the period of time the rates prescribed and set forth herein should remain in effect.

2. The Utility had requested that \$35,870 be approved as its pro forma expense for Item 1.(b) of Appendix "B" (Utilities - Electric & Gas) and challenged the \$31,744 found reasonable by the June 27, 1980 Order. After consideration of the further evidence regarding this expense, the Commission finds that the \$35,870 requested by the Utility should be approved. This is an increase of \$4,126 for this expense.

3. The Utility presented evidence to substantiate a 12.3% increase (\$498) in its expense for water usage - Item 1.(c) of Appendix "B". The additional expense of \$498 allowed herein reflects the effect of the Louisville Water Company's rate increase placed into effect for services rendered on and after January 1, 1980.

4. The June 27, 1980 Order denied the expensing of \$10,602 for replacement of two pumps on the basis that the \$10,602 was not an expense; but was a capital expenditure. The Utility had based their method of accounting for the \$10,602 pump replacement costs on their anticipated approval by the Commission of a "Reserve Fund" from which the costs for replacement of "Contributed Property" could be paid. The Commission, however, disallowed the Reserve Fund.

Proper accounting for the \$10,602 costs for pump replacement includes capitalization and depreciation thereof; and the Commission finds that a ten (10) year straight line depreciation of \$1,060 per year is appropriate in this instance. An increase of \$1,060 should, therefore be added to the \$9,400 found reasonable for pro forma depreciation expense (Item 4 of Appendix "B") by the June 27, 1980 Order.

5. The Commission finds no basis for making an allowance for bad debts as no amount for this expense is shown on any of the Utility's "Annual Reports" of record in this matter.

6. That the total increases in pro forma expenses resulting from Findings No. 2, No. 3 and No. 4 as herein set forth

amounts to \$5,684. The overall effects of this increase are tabulated in the "Revised Appendix B" attached hereto and those not previously set forth herein are: an increase of \$7,964 in pro forma revenues, an increase of \$832 in the combined Federal and State Corporate Income Tax expenses, an increase of \$6,516 in the expenses utilized in the computation of revenues allowed on the basis of the "Operating Ratio Method" (the Subtotal shown between Item 6 and Item 7 on Appendix "B") and an increase in Net Income of \$1,884.

7. The \$7,964 additional revenues found reasonable herein results in changes to the rates found reasonable in the June 27, 1980 Order. The revised rates are prescribed and set forth in the Revised Appendix "A", attached hereto and, as set forth in the June 27, 1980 Order, are effective for the Utility's billings for sewage services on and after February 16, 1980.

8. That upon receipt of this Order, the Utility should initiate compliance with the refund provisions set forth in the June 27, 1980 Order.

ORDERS IN THIS MATTER

The Commission on the basis of the matters hereinbefore set forth, the additions to the evidentiary record provided by the "Petition for Rehearing" and the August 27, 1980 hearing in response thereto:

HEREBY ORDERS that the rates set forth in the Revised Appendix "A" attached hereto and made a part hereof be and they are hereby fixed as the fair, just and reasonable rates of the Utility for providing sewage disposal services for its customers located in Bullitt County, Kentucky, and are effective for the Utility's billings for services on and after February 16, 1980. Further, the rates established by the June 27, 1980 Order of this Commission shall, hereby become null and void.

IT IS FURTHER ORDERED that all matters set forth by this Commission's Order in this matter entered June 27, 1980 shall remain in full force and effect. The dates of reference for actions to be executed by the Utility shall, however, be changed from June 27, 1980 to the date of this Order.

Done at Frankfort, Kentucky, this 26th day of September, 1980.

UTILITY REGULATORY COMMISSION


Chairman

Vice Chairman


Commissioner

ATTEST:

Secretary

REVISED
APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7558 DATED SEPTEMBER 26, 1980.

The following rates are prescribed for sewage disposal services rendered to all customers served by the Maryville Sewerage System, Inc., in Bullitt County, Kentucky. All other rates and charges not mentioned specifically herein shall remain the same as those in effect under approval of this Commission prior to February 16, 1980.

<u>Type of Service Provided</u>	<u>Monthly Rate</u>
Single Family Residential	\$ 9.50 per Residence
Multi-Family Residential	7.15 per Dwelling Unit
All Other	19.00 per Residential ⁽¹⁾ Equivalent

(1) The number of residential equivalents and/or fractional parts thereof shall be determined by dividing the customer's average monthly water consumption in gallons by 12,000 gallons. The minimum bill for this type of service shall be \$9.50.

APPENDIX "B" - REVISED

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7558 DATED SEPTEMBER 26, 1980.

In accordance with Finding No. 7, the following tabulation is the Commission summary of the "Test-Year" and annual proforma revenues and expenses for the Utility's 936,800(1) GPD sewage collection and treatment systems for providing service to test-year and proforma customers.

	Test Year(2) Ending 5/31/79	Proforma(2) Requested	(6-27-80) Proforma Found Reasonable	Additions To Proforma Found Reasonable	Revised Proforma
(No. of Customers)	(2,004)	(2,004)	(2,025)(3)	(-0-)	(2,025)
Revenues:					
1. Sewage Services	\$137,302	\$279,182	\$224,775	\$7,964	\$232,739
2. Interest	230	-0-	-0-	-0-	-0-
Total Revenues	\$137,532	\$279,182	\$224,775	\$7,964	\$232,739
Expenses:					
1. Operations & Maintenance					
a) Wages	\$ 52,743	\$ 56,982	\$ 56,982	\$ -0-	\$ 56,982
b) Utilities (Elec. & Gas)	31,744	35,870	31,744(4)	4,126	35,870
c) Utilities (Water)	4,051	6,075	4,051(4)	498	4,549
d) Chemicals	3,448	3,965	3,965	-0-	3,965
e) Misc. Supplies & Expenses	1,090	1,221	1,090	-0-	1,090
f) Gasoline & Truck	3,690	5,329	5,329	-0-	5,329
g) Sludge Hauling	6,500	16,800	16,800	-0-	16,800
h) Maintenance	7,598	4,500	4,500	-0-	4,500
i) Repairs	6,575	17,752	7,150(5)	-0-	7,150
2. Billing & Collecting	\$ 5,243	\$ 8,525	\$ 7,940(6)	\$ -0-	\$ 7,940
3. Administrative & General					
a) Salaries	\$ 8,900	\$ 9,800	\$ 8,900(4)	\$ -0-	\$ 8,900
b) Office - Misc.	629	704	704	-0-	704
c) Accounting	2,741	2,700	2,700	-0-	2,700
d) Legal Services	-0-	1,200	1,200	-0-	1,200
e) Amortization-Case #7558	-0-	1,250	833(7)	-0-	833
f) Engineer-EPA Monitoring	-0-	600	600	-0-	600
g) Insurance	5,936	6,350	5,936(4)	-0-	5,936
h) Telephone	2,415	2,424	2,424	-0-	2,424
4. Depreciation	\$ 10,754	\$ 9,400	\$ 9,400	\$1,080	\$ 10,480
5. Taxes:					
a) Operating	\$ 7,178	\$ 7,300	\$ 7,178(4)	\$ -0-	\$ 7,178
b) Income-Federal	-0-	8,323	5,019(8)	707	6,630
c) Income-State	-0-	1,890	913(8)	-0-	-0-
6. Reserve Fund	\$ -0-	\$ 18,565	\$ -0-(9)	\$ -0-	\$ -0-
Subtotal	\$	\$227,305	\$185,338	\$8,391	\$191,729
7. Interest:					
a) Long-Term Debt	\$ 28,374	\$ 33,400	\$ 14,937(10)	\$ -0-	\$ 14,937
b) Other	-0-	-0-	-0-	-0-	-0-
Total Expenses	\$189,609	\$260,705	\$200,275	\$8,391	\$208,666
Net Income (Loss)	(\$ 52,077)	\$ 18,477	\$ 24,500	\$1,573	\$ 26,073