

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

In the Matter of:

APPLICATION FOR APPROVAL OF SALE AND )  
APPLICATION FOR CERTIFICATE OF CON- )  
VENIENCE AND APPLICATION FOR APPROVAL ) CASE NO. 7647  
OF RATE FOR EXPANDED DEVELOPMENT )

O R D E R

Preface

On October 31, 1979, Fourth Avenue Corporation-Long Corporation, a joint venture, filed with this Commission its duly verified application seeking approval of the sale and purchase of the Shadow Wood Sewage System, serving residents of Shadow Wood Subdivision in Jefferson County, Kentucky. Terms of the sale set forth in the "Sales Agreement" dated June 4, 1979, involving S. Pearson Auerbach and Minx M. Auerbach, hereinafter referred to as "Seller" and Fourth Avenue Corporation-Long Corporation, hereinafter referred to as "Purchaser".

The Purchaser is also requesting a certificate of public convenience and necessity authorizing a project for expansion of the existing utility system and further, is requesting authority to charge the existing rate for services to be provided in the new project area.

The matter was set for hearing at the Commission's offices in Frankfort, Kentucky, on February 4, 1980. All parties of interest were notified and no protests were entered.

A copy of a letter from the Division of Water Quality of the Kentucky Department for Natural Resources and Environmental Protection approving the plans and specifications for the proposed expansion project is on file with this Commission.

The complete record and testimony in this matter, through the conclusion of the February 4, 1980, hearing, has been considered by the Commission in making the determinations set forth in this order.

### Findings in this Matter

The Commission, after consideration of the application, all evidence of record and being advised, is of the opinion and FINDS:

1. That on June 4, 1979, the Seller and the Purchaser entered into an agreement whereby the Seller agreed to sell and the Purchaser agreed to purchase a tract of land on which the sewage treatment system of the Shadow Wood Subdivision is located and which includes appurtenances such as, but not limited to: effluent lines, pumping stations, manholes, etc., as constructed, and including all easements incident to the ownership and operation of said sewage collection and treatment system for the sum of thirty-five thousand dollars (\$35,000).

2. That the Seller is ready, willing and able to sell and further, that the Purchaser is ready, willing and able to purchase and to provide for continuation of the operation and maintenance of the existing sewage collection and treatment system.

3. That the sale of the Shadow Wood Sewage System should not adversely affect the public interest and should be approved.

4. That the monthly rate of \$26.50 per residence currently being charged by the Seller under authority of this Commission should be ratified and remain in effect for those customers now paying this rate. Further, that the Purchaser's request to charge this rate for services provided to condominium units proposed for construction by the Purchaser should be granted for those units having three or more bedrooms; that \$19.90 or approximately 75% of the \$26.50 rate should be the monthly rate for two bedroom condominium units; and that \$13.25 or 50% of the \$26.50 rate should be the monthly rate for one bedroom condominium units. These rates are prescribed and set forth in Appendix "A" attached hereto and made a part hereof.

5. That the Seller had no remaining investment in the utility facilities being acquired by the Purchaser on the date the Sales Agreement was entered into by the Purchaser and the Seller; that said facilities had been classified as fully contributed property, the Seller's investment therein having been fully recouped since operations were begun in 1966. Therefore, the \$35,000 purchase price has been determined to be a 100% plant acquisition adjustment and should be accounted for as such in the Purchaser's "Annual Reports" filed with this Commission. Further, the Commission hereby advises the Purchaser that consideration of this \$35,000 plant acquisition adjustment may be omitted in the process of future rate determinations by this Commission.

6. That a valid third party beneficiary agreement is on file with the Commission.

7. That the public convenience and necessity requires construction of the proposed sewage system expansion project in the area set forth by the application and exhibits filed in the record in this matter and said certificate should be granted.

8. That the construction project proposed by the Purchaser consists of the addition of a 65,000 GPD sewage treatment plant and collection system to the existing 20,000 GPD sewage system to provide capacity for the addition of service to 198 condominium units, all at a total project cost of \$137,000.

9. That the cost of service per customer after the addition of 198 condominium customers should be less than the said cost has been for 35 single family residences. Further, that rates for sewage utilities are determined by this Commission by the "Operating Ratio"<sup>1/</sup> method. The Purchaser is advised that the current ratio allowed by this Commission is 0.88. A downward

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<sup>1/</sup> "Operating Ratio" is defined as the ratio of expenses, including depreciation and taxes, to gross revenues:

$$\text{Operating Ratio} = \frac{\text{Operating Expenses} + \text{Depreciation} + \text{Taxes}}{\text{Gross Revenues}}$$

adjustment of rates will be appropriate at such time as the operating ratio for this utility approaches 0.88.

10. That from the record and exhibits filed in this matter, the Purchaser plans to finance the project cost of approximately \$137,000 by utilizing private funds and plans to recoup the total cost of this project by means of apportionment thereof in the selling price of sewered dwelling units within the Shadow Wood Subdivision, Jefferson County, Kentucky. Further, that the Commission should make no further findings regarding the proposed financing other than recoupment thereof through the sale of lots should have no adverse effect on rates paid for the sewage disposal services to be provided by the Purchaser.

Orders in this Matter

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that Fourth Avenue Corporation-Long Corporation, a joint venture, be and is hereby authorized to purchase the Shadow Wood Sewage System from S. Pearson Auerbach and Minx M. Auerbach in accordance with the terms of the Sales Agreement filed in the record in this matter.

IT IS FURTHER ORDERED that the rates prescribed and set forth in Appendix "A", attached hereto and made a part hereof, be and they hereby are fixed as the fair, just and reasonable rates for sewage disposal services rendered to the Shadow Wood Subdivision, Jefferson County, Kentucky, by the Fourth Avenue Corporation-Long Corporation, a joint venture, and shall be effective for services rendered on and after the date of this order.

IT IS FURTHER ORDERED that the appropriate journal entries<sup>2/</sup> effecting the sale and purchase of the Shadow Wood Sewage System

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<sup>2/</sup> The Seller should file closing journal entries and the Purchaser should file opening journal entries.

shall be filed with this Commission by both the Purchaser and the Seller within thirty (30) days of the date of this order.

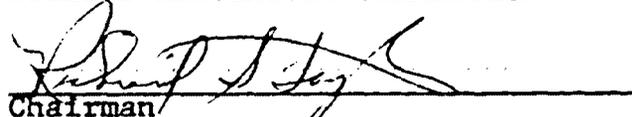
IT IS FURTHER ORDERED that Fourth Avenue Corporation-Long Corporation, a joint venture, shall file with this Commission its adoption notice and tariff sheets setting forth the rates prescribed and set forth in Appendix "A", attached hereto. Further, copies of the utility's rules and regulations for providing sewage disposal services in the Shadow Wood Subdivision shall be filed along with the said tariff sheets, all within thirty (30) days of the date of this order.

IT IS FURTHER ORDERED that the Fourth Avenue Corporation-Long Corporation, a joint venture, be and it is hereby granted a certificate of public convenience and necessity to construct a sewage system expansion project in the area set forth in the application and in accordance with the plans and specifications filed in this record in this matter.

Nothing contained herein shall be construed as a finding of value for rate-making purposes for the Fourth Avenue Corporation-Long Corporation, a joint venture.

Done at Frankfort, Kentucky, this 29th day of August, 1980.

UTILITY REGULATORY COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY  
COMMISSION IN CASE NO. 7647 DATED AUGUST 29, 1980.

The following rates are prescribed for sewage disposal services rendered to all customers served by Fourth Avenue Corporation-Long Corporation, a joint venture, in the Shadow Wood Subdivision, Jefferson County, Kentucky.

| <u>Type of Service Provided</u>     | <u>Monthly Rate</u>     |
|-------------------------------------|-------------------------|
| Residential:                        |                         |
| Single Family Residence             | \$ 26.50 per residence  |
| Condominium with 3 or more bedrooms | 26.50 per dwelling unit |
| Condominium with 2 bedrooms         | 19.90 per dwelling unit |
| Condominium with 1 bedroom          | 13.25 per dwelling unit |