

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

* * * * *

In the Matter of:

THE APPLICATION FOR AN)
ADJUSTMENT OF THE SANITARY)
SEWAGE RATES AND CHARGES)
FOR THE G.H.K. SEWAGE COMPANY,)
INC., JEFFERSON COUNTY,)
KENTUCKY)

CASE NO. 7851

O R D E R

On May 8, 1980, GHK Sewage Company, Inc., hereinafter referred to as the Applicant, filed with this Commission its petition seeking approval of a proposed increase in its sewage service rates.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, July 10, 1980. All parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes. The Consumer Intervention Division of the Attorney General's office was an intervenor of record in this matter. Additional information was requested at the hearing and has been filed, and the entire matter is submitted for a final determination by this Commission.

Test Period

The Applicant proposed and the Commission has adopted the twelve months ending December 31, 1979, as the test period for determining the reasonableness of the proposed rates. Proforma adjustments have been included where found fair, just and reasonable.

Findings in This Matter

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

1. That in this instance, the determination of rates and revenue requirements should be based on the operating ratio⁽¹⁾ method.
2. That the existing rate of the Applicant produced total revenues of \$36,814 from an average of 329 customers receiving

(1) Operating ratio is defined as the ratio of expenses, including depreciation and taxes to gross revenues.

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

sewage disposal services during the test year. Further, that the Applicant's expenses of \$40,936 for this period resulted in a test year deficit of \$4,122.

3. That the rates as prescribed and set forth in Appendix "A", attached hereto and made a part hereof, should produce gross annual revenues of \$45,780 from 350 customers and are the fair, just and reasonable rates to be charged for sewage services rendered by the Applicant to customers located in its service area.

4. That the rates proposed by the Applicant are unfair, unjust, and unreasonable in that they would produce revenues in excess of those found reasonable herein and should be denied.

5. That an operating ratio of approximately 0.88 will result from the revenues produced by 350 customers and should provide a reasonable return margin in this instance.

6. That there were 347 customers as of February, 1980, and based on the present rate of growth, the Commission decided that 350 customers would be a reasonable number to use for the determination of rates in this instance.

7. That the Applicant proposed several proforma adjustments to revenues and expenses as reflected on its Comparative Income Statement. Several of these requested expenses were the same as those granted in Case No. 7556 which was based on 500 customers. The Commission will accept in full for rate-making purposes some of these proposed adjustments. However, those rejected or modified are more fully discussed below:

- (a) The billing and collecting charges from Louisville Water Company were \$1,329 for the test year. The Applicant had included the full apportionment for both water service and sewage disposal services. This expense was adjusted for the increase by Louisville Water Company of approximately 16.24% along with the increase in customers to the amount of \$1,710 for 2100 bills.

- (b) There was an error in the calculation for the routine operation and maintenance expense of \$34 which was adjusted accordingly.
- (c) The allowance for sludge hauling was based on 18 loads at \$95 per load.
- (d) An allowance of \$3,000 for repairs and maintenance expense was found to be more reasonable based on similar sized utilities of the same age.
- (e) The proposed adjustment of an increase from LG&E for electric expense was not allowed because the current case is still pending and there is no evidence of record supporting the Applicant's proposed increase.
- (f) An allowance of \$900 for chlorine and plant supplies was found more reasonable based on similar sized utilities operating in Jefferson County.
- (g) The combined federal and state income tax liability for the revenues made possible by the rates approved by this Order has been computed as \$1,290.
- (h) The Applicant's proposed adjustment of \$3042 for Taxes, License Fees, was not substantiated by the record. An allowance of \$50 was allowed for the assessment of the Utility Regulatory Commission and \$10 for corporate license fees.

The following is a schedule showing the effect on operating income after the revenue and expense adjustments.

	<u>Actual</u>	<u>Proforma Requested</u>	<u>Proforma Found Reasonable</u>
Operating Revenues	\$36,814	\$57,950	\$45,780
Operating Expenses	40,936	50,995	40,359
Operating Income	(\$ 4,122)	\$ 6,955	\$ 5,421

Orders In This Matter

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

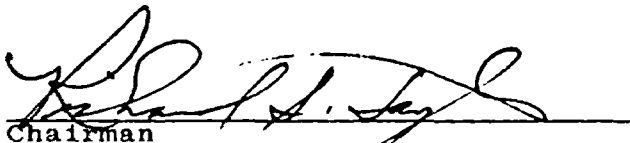
HEREBY ORDERS that the rates prescribed and set forth in Appendix "A", attached hereto and made a part hereof, be and they are hereby fixed as the fair, just, and reasonable rates of the GHK Sewage Company, Inc., providing sewage disposal services to customers located in its service area and shall become effective for services rendered on and after the date of this Order.

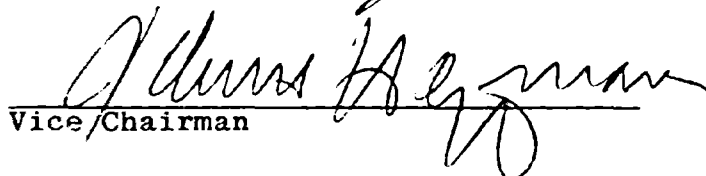
It is FURTHER ORDERED that the rates sought by the GHK Sewage Company, Inc., be and the same are hereby denied.

It is FURTHER ORDERED that the GHK Sewage Company, Inc. shall file with this Commission, within thirty (30) days from the date of this Order, its tariff sheets setting forth the rates approved herein. Further, that copies of all the Applicant's rules and regulations for providing service to customers located in Jefferson County, Kentucky shall be filed with the said tariff sheets.

Done at Frankfort, Kentucky, this 1st day of August, 1980.

UTILITY REGULATORY COMMISSION


Chairman


Vice/Chairman


Commissioner

ATTEST:

Secretary

Appendix "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7851 DATED AUGUST 1, 1980.

The following rates are prescribed for sewage disposal services rendered to customers of the GHK Sewage Company, Inc., located within its service area of Jefferson County, Kentucky.

<u>Type of Service Provided</u>	<u>Monthly Rate</u>
Single-Family Residential	\$10.90 Per Residence
Multi-Family Residential:	
3-Bedroom Dwelling Unit	10.90 Per Dwelling Unit
2-Bedroom Dwelling Unit	8.20 Per Dwelling Unit
1-Bedroom Dwelling Unit	5.45 Per Dwelling Unit
All Other	21.80 Per Residential Equivalent ⁽¹⁾

(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 \$10.90.