

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

APPLICATION OF FERNBROOK UTILITIES,)
INC. d/b/a FERNBROOK SEWER SYSTEM)
FOR AUTHORITY TO ACQUIRE AND OPERATE)
THE SEWAGE TREATMENT PLANT CURRENTLY)
OWNED AND OPERATED BY CLIFFORD ALLEN)
WALCOTT, TRUSTEE, IN JEFFERSON COUNTY,) CASE NO. 7894
KENTUCKY AND APPLICATION OF FERNBROOK)
UTILITIES, INC., d/b/a FERNBROOK SEWER)
SYSTEM FOR AN ORDER ADJUSTING THE RATES)
CURRENTLY CHARGED BY THE FERNBROOK SEWER)
SYSTEM)

O R D E R

On June 20, 1980, Fernbrook Utilities, Inc., d/b/a Fernbrook Sewer System (Applicant) filed its application with this Commission for authority to acquire and operate the sewage treatment plant currently owned and operated by Clifford Allen Walcott, Trustee, in Jefferson County, Kentucky and for an order adjusting the rates currently charged by the Fernbrook Sewer System. The proposed rates would increase annual revenues by \$14,299, an increase of 331%.

Mr. Clifford Allen Wallcott purchased the Fernbrook Subdivision from Kentucky Property Trust which included some undeveloped land and a sewage treatment plant. Kentucky Property Trust had originally loaned money to the developer to construct the sewage treatment plant. Due to financial problems, the developer sold the utility to another developer who also had financial problems. The second developer gave to the Kentucky Property Trust a deed to the properties in lieu of foreclosure.

The case was scheduled for hearing at the Commission's offices in Frankfort, Kentucky, October 29, 1980. All parties of interest were notified and the Division of Consumer Intervention of the Attorney General's Office was the only party formally intervening herein although a consumer of the utility appeared at the hearing and made a statement in opposition to the proposed increase.

After the hearing, additional information was requested. This information has been furnished and the entire matter is now considered to be submitted for final determination by this Commission.

TEST YEAR

The Applicant had determined the revenues and expenses for ten months ending May 31, 1980 and adjusted to reflect a twelve month period as the income statement for the test year. From additional information submitted of actual revenues and expenses for June 1, 1979 through May 31, 1980, the Commission has constructed an income statement for the twelve month period ending May 31, 1980 which will be utilized as the test period in this matter.

REVENUES AND EXPENSES

During the test year, Fernbrook Sewer System was providing sewage service for thirty (30) customers. The Applicant presented several pro-forma adjustments to more properly reflect operating conditions. Based on the revised income statement the Commission has accepted the pro-forma adjustments with the following exceptions:

(1) The pro-forma adjustments to plant supplies, electric, and water were disallowed as the Applicant had determined these expenses for ten months and adjusted for a twelve month period.

(2) Repairs of plant and service for the test year included \$966 of expenses which in the opinion of the Commission should have been capitalized. Therefore the Commission has excluded this amount for ratemaking purposes.

(3) The Commission has reduced the health department fee to \$400 which will be the actual cost on an annual basis.

(4) The Commission has also adjusted income taxes based on the allowed pro-forma adjustments.

(5) Operating revenues have been increased by \$16,873 which includes a normalization adjustment of \$414 for the test year and the additional revenue increase allowed herein of \$16,459.

The testimony reflects that when the sewage treatment plant is operating at full capacity, Applicant will provide sewage service for sixty (60) customers.

After consideration of the aforesaid adjustments, the Applicant's statement of operations would appear as follows:

	<u>Actual</u> <u>5-31-80</u>	<u>Adjustments</u>	<u>Pro-forma</u>
Operating Revenues	\$ <u>1,746</u>	\$ <u>16,873</u>	\$ <u>18,619</u>
Operating Expenses:			
Tax and License	39	236	\$ 275
Printing		125	125
Bookkeeping		1,200	1,200
Director Fees		1,200	1,200
Rent		600	600
Collection Charges		390	390
Bad Debts		25	25
Plant Supplies	438		438
Repairs-Plant and Service	3,110	(966)	2,144
Utilities-Electric	2,310		2,310
Utilities-Water	2,024		2,024
Sludge Hauling	392	108	500
Service Contract	1,700	340	2,040
Health Department Fee		400	400
Water Analysis		160	160
Rate Case Expense		1,000	1,000
Professional Fees		400	400
Insurance		275	275
Depreciation		500	500
Income Taxes		555	555
Total Operating Expenses	\$ <u>10,013</u>	\$ <u>6,548</u>	\$ <u>16,561</u>
Net Income	\$ (<u>8,267</u>)	\$ <u>10,325</u>	\$ <u>2,058</u>

CASE SUMMARY

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

1. That the Applicant is ready, willing and able to maintain and operate the facilities of the Fernbrook Sewer System.
2. That the proposed sale is in the public interest and should be approved.
3. That the revenue increase allowed herein should be sufficient to allow Applicant to pay its operating expenses and maintain an adequate reserve for any extraordinary costs that might be incurred.

4. That the rates proposed by the Applicant and as set out in Appendix "A" attached hereto, are the fair, just and reasonable rates to become effective for services rendered on and after the date of this Order.

IT IS THEREFORE ORDERED, that the Applicant's request for authority to acquire and operate the sewage treatment plant operated by Fernbrook Sewer System in Jefferson County, Kentucky is hereby approved.

IT IS FURTHER ORDERED, that the rates proposed by the Applicant and as set out in Appendix "A" attached hereto, are the fair, just, and reasonable rates to become effective for services rendered on and after the date of this Order.

IT IS FURTHER ORDERED, that the Applicant shall file with this Commission within twenty (20) days from the date of this Order its revised tariffs setting forth the rates approved herein.

IT IS FURTHER ORDERED, that the Applicant file current copies of its Rules and Regulations for the providing of service to its customers along with the filing of its revised tariffs.

Done at Frankfort, Kentucky, this the 20th day of February, 1981.

UTILITY REGULATORY COMMISSION

Did not participate
Chairman

William W. [Signature]
Vice Chairman

George Ray [Signature]
Commissioner

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE UTILITY REGULATORY
COMMISSION IN CASE NO. 7894 DATED FEBRUARY 20,
1981

The following rate is prescribed for Sewage Disposal
Service rendered to all customers served by Fernbrook Utilities,
Inc., which is in Jefferson County, Kentucky.

<u>Type of Service Provided</u>	<u>Monthly Rate</u>
Single-Family Residential	\$25.86 per Single-Family Residence