

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN ADJUSTMENT OF RATES OF )  
TREASURE ISLAND SEWER CON- ) CASE NO. 8018  
STRUCTION DISTRICT OF JEFF- )  
ERSON COUNTY, KENTUCKY )

O R D E R

On October 27, 1980, Treasure Island Sewer Construction District ("Applicant") filed an application with the Commission proposing to increase annual revenues approximately \$56,200.

In order to determine the reasonableness of the proposed rates, the Commission set a public hearing on this matter for February 5, 1981, at the Commission's offices in Frankfort, Kentucky. All parties of interest were notified. The Attorney General's Division of Consumer Intervention participated in the hearing along with several consumers. Certain requests for information were made at the hearing with Applicant's consumers requesting that the record in this case be left open 30 to 60 days in order to allow them an opportunity to present evidence. The Commission granted the request for 30 days.

On February 27, 1981, at the request of the consumers, the Attorney General filed a motion seeking an additional 30 day extension of time, an inspection of Applicant's treatment facilities by the Commission's engineering staff and copies of Applicant's by-laws, minutes and resolutions. The Commission ruled on these motions in its Order dated March 13, 1981.

On April 1, 1981, the consumers filed recommendations based on their investigation. Applicant filed its response on April 7, 1981, and the case was then submitted to the Commission for final determination.

#### TEST PERIOD

Applicant proposed, and the Commission has accepted, the 12 months ending July 31, 1980, for the purpose of determining the reasonableness of the proposed rates. Pro forma adjustments have been included where found fair and reasonable.

#### REVENUES AND EXPENSES

The Applicant proposed several pro forma adjustments to reflect more current operating conditions. The Commission is of the opinion that the adjustments are generally proper and have been accepted for rate-making purposes with the following exceptions:

(1) Applicant proposed adjustments to test year balances in supplies and repair and maintenance expenses of \$76 and \$974, respectively. The Commission finds no evidence that these increases are known and measurable and, therefore, rejects them for rate-making purposes.

(2) Based on information submitted by Applicant on February 4, 1981, the Commission has included engineering fees of \$500 in Applicant's pro forma rate case expenses. However, the Commission has eliminated \$326 attributable to notifying consumers of the final rates granted herein. The Commission found that provision was made for two such notifications but that only one will be necessary. The net effect of these adjustments results in annual rate case expenses of \$2,988.

(3) Applicant's consumers, as a part of their recommendations, volunteered to mow the grass around the sewer plant at cost. As the Applicant had no objections, the Commission has reduced test period grass cutting expenses by \$320 to \$100.

Applicant's adjusted operations at the end of the test period are as follows:

	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted</u>
Operating Revenues	\$85,180	\$(250)	\$84,930
Operating Expenses	79,928	7,231	87,159
Operating Income (Loss)	<u>\$ 5,252</u>	<u>\$(6,981)</u>	<u>\$(2,229)</u>

In order to provide revenues sufficient to cover operation and maintenance expenses and annual debt service requirements, the Commission will calculate the increase in operating revenues as follows:

1.2 x Debt Service Coverage	\$ 28,940
Adjusted Operating Expenses	87,159
Subtotal	<u>\$116,099</u>
Less: Adjusted Operating Revenues	84,930
Increase	<u>\$ 31,169</u>

#### SUMMARY

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

1. The rates set forth in Appendix A attached hereto and made a part hereof should produce gross annual operating revenues of \$116,100 and are the fair, just and reasonable rates to charge for sewage service rendered by Treasure Island Sewer Construction District.

2. The gross annual operating revenues of \$116,100 will permit the Applicant to meet its reasonable operating expenses and its annual debt service requirements.

3. The rates proposed by the Applicant would produce revenues in excess of those found reasonable herein and, therefore, must be denied upon application of KRS 278.030.

4. Certain records of the sewer district are in the hands of past Commissioners or others employed by the district.

5. The records held by past Commissioners of the Applicant are essential to provide a complete record of operations in order to maintain management continuity.

6. No tariff has been previously filed by Treasure Island as required by KRS 278.160 and 807 KAR 5:011E, setting forth the rates, rules and regulations for the provision of service. The ordinance, dated July 18, 1964, (filed as an exhibit herein) under which the utility has been operating contains provisions which are in conflict with the Commission's administrative regulations. Treasure Island should file the required tariff in the manner and form prescribed by 807 KAR 5:011E and in compliance with other administrative regulations, policies and orders of the Commission.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Applicant as set out in the application are hereby denied.

2. The rates set forth in Appendix A attached hereto and made a part hereof are approved for sewage service rendered on and after the date of this Order.

3. Within 30 days from the date of this Order Treasure Island shall file its tariff setting forth the rates approved herein and all rules and regulations governing the provision of utility service.

4. The currently appointed Commissioners of Treasure Island Sewer Construction District should make every effort to obtain all records pertaining to the sewer district so that a complete history will be available.

Done at Frankfort, Kentucky, this 15th day of June, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Voth  
Chairman

Did Not Participate  
Vice Chairman

Dr. H. H. H. H.  
Commissioner

ATTEST:

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Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC  
SERVICE COMMISSION IN CASE NO. 8018  
DATED June 15, 1981

The following rates are prescribed for all customers served by Treasure Island Sewer Construction District of Jefferson County, Kentucky. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

<u>Customer Category</u>	<u>Monthly Rate</u>
Single Family Residential	\$ 13.25
Multi-Family Residential	13.25 per Dwelling Unit
Non-Residential	33.25