

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION AND PETITION)
OF THE FARMDALE DEVELOPMENT)
CORPORATION, INC., FOR AN) CASE NO. 8102
ORDER AUTHORIZING SAID)
CORPORATION TO REVISE RATES)

O R D E R

On August 5, 1981, the Commission issued an Order in the above-styled matter adjusting the sewer service rates of Farmdale Development Corporation, Inc. ("Applicant"). On August 21, 1981, Applicant filed its petition for rehearing. Applicant submitted evidence that Farmdale Water District is unwilling to renegotiate its contract for fees for the collection of Applicant's bills in accordance with the allowance found reasonable in the Commission's Order. It requested that the Commission either enter an Order which would require Farmdale Water District to appear before the Commission in this matter to prove its actual costs for collecting the Applicant's bills and then require Farmdale Water District to collect the bills at a reasonable cost or, in the alternative, to adjust the rates to reflect the additional costs to be incurred by the Applicant in the collecting of bills. Applicant also requested the Commission to reconsider its originally proposed level for the management

fee and the amortization of pump repairs and to consider a reconnect fee to reimburse it for the costs incurred in reconnection of service cut off for non-payment.

The Commission is of the opinion that a rehearing on the issue of expenses allowed for billing and collection is necessary. As discussed in the Commission's Order of August 5, 1981, the Applicant's billing and collecting are done by Farmdale Water District. In order to explore the costs involved in this billing and collection fee charged Applicant, the Commission is of the opinion that a representative of the Farmdale Water District should be present at the hearing and be prepared to answer questions on cross-examination. The Commission, therefore, finds that the Applicant should be granted a rehearing on this issue and that the Farmdale Water District should be made a party to this proceeding.

The services and duties of the manager were enumerated in Exhibit 12 of the Applicant's response to the Commission's Order of February 6, 1981. When questioned about his duties and responsibilities, the manager was very vague in his response. In one response he referred to the "...many other jobs..."^{1/} for which he was responsible but did not specifically detail these jobs. The payroll and disbursement of

^{1/} Transcript of Evidence of April 7, 1981, Response 37, page 86.

payments are handled by the manager's wife and the day-to-day operation of the treatment plant is provided for under a contract with an individual in the area. Therefore, the Commission reaffirms its opinion that the duties and responsibilities of the manager of this utility are not dissimilar from those of other similar utilities, and finds that the petition for reconsideration should be denied on this point.

As requested by the Commission, Applicant provided invoices for amounts charged to repairs and maintenance as support for its test period level of expense. Upon examination of these invoices it was, and remains, the Commission's opinion that the majority of these invoices represented pump repairs which should have enhanced the lives of these pumps. Since these repairs will last more than one accounting period, they should be capitalized and the costs spread over the expected new life.

In addition, the test period level of repair was much higher than the levels experienced by the Applicant in prior periods. Mr. Weaver, when questioned about the Applicant's experience subsequent to the test period, replied, "...it really has improved greatly, yes, sir..."^{2/}

^{2/} Transcript of Evidence of April 7, 1981, Response 56, page 92..

Therefore, the Commission reaffirms the level of repair and maintenance expense found reasonable in its Order of August 5, 1981, and finds that the request for reconsideration of this item should be denied.

The request for a reconnection fee was not a part of the original petition and therefore should not be considered at this time. However, the Applicant may apply for a reconnection fee in the manner required by Kentucky Revised Statutes 278.180 and 278.190 and Commission regulation 807 KAR 5:011E.

For the above-stated reasons, IT IS ORDERED that the petition for rehearing be and it is hereby granted on the issue of the expenses allowed for billing and collection expense only.

IT IS FURTHER ORDERED that the petition for rehearing be and it is hereby denied in all other respects.

IT IS FURTHER ORDERED that a hearing for the purposes of fully examining the billing and collecting expenses of the Applicant be and it is hereby set for the 8th day of October, 1981, at 1 o'clock p.m., Eastern Daylight Time, in the Commission's offices at Frankfort, Kentucky.

IT IS FURTHER ORDERED that the Farmdale Water District be and it hereby is made a party to this proceeding for the purpose of considering its billing and collecting charges to the Farmdale Development Corporation, Inc.

Done at Frankfort, Kentucky, this 10th day of
September, 1981.

PUBLIC SERVICE COMMISSION

Martin M. Vohy
Chairman

Katherine Randall
Vice Chairman

Jim Carreygan
Commissioner

ATTEST:

Secretary