

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE TARIFF FILING OF)
BEULAH SEWER COMPANY,)
LOUISVILLE, KENTUCKY)

CASE NO. 8109

O R D E R

On December 12, 1980, Beulah Sewer Company ("Applicant") filed its application with this Commission for approval of its existing rates charged for sewage service. The present single-family residential monthly charge is \$12.50 per residence and has been the rate since Applicant's inception in 1975.

The matter was scheduled for hearing at the Commission's offices in Frankfort, Kentucky, on April 30, 1981. All parties of interest were notified and the Division of Consumer Protection of the Attorney General's Office was the only party intervening in the matter.

COMMENTARY

Beulah Sewer Company is a Kentucky corporation established by and under the laws of the State of Kentucky. Applicant provides sewage service for 58 consumers within the area of Beulah Church Road Development Subdivision in Jefferson County, Kentucky.

TEST PERIOD

The 12-month period ending September 30, 1980, has been used for the test year for the purpose of determining the reasonableness of the rates and charges proposed herein. Pro forma adjustments have been included where found reasonable and proper for rate-making purposes.

REVENUES AND EXPENSES

The Applicant proposed no pro forma adjustments to operating expenses for the test year.

The Commission has increased operating revenues by \$1,812 to reflect a normalization adjustment for the test year based on the number of consumers at the end of the test year.

The Commission has also made the following adjustments to the test year operating expenses:

1. Repairs have been reduced by \$169 to reflect the actual expenses incurred during the test year. In preparing the income statement, the accountant had duplicated the charge of \$169 for repairs.

2. The sewer treatment plant is owned jointly by Beulah Land Company and Beulah Sewer Company. Citizens Fidelity Mortgage Company has a mortgage on the entire plant. Depreciation expense for the test year of \$14,216 was computed on the total plant; however, only \$50,000 of the cost of the plant was transferred to Beulah Sewer Company. Citizens Fidelity had requested that the total cost of plant not be transferred from Beulah Land Company until the Applicant had paid another \$200,000.

The \$50,000 plant cost included land of \$1,000. Therefore, the Commission has adjusted depreciation to \$2,450, based on the cost of \$49,000 with an estimated life of 20 years. This results in a reduction of \$11,766 in depreciation expense.

3. Legal and accounting expenses included expenses of Beulah Land Company and Beulah Sewer Company. From the invoices submitted by the Applicant, only \$605 was applicable to Beulah Sewer Company. The Commission, therefore, adjusted legal and accounting expense to \$605, a reduction of \$1,500.

Based on the aforesaid adjustments, the Applicant's operating statement would appear as follows:

	<u>Per Books</u> <u>9/30/80</u>	<u>Pro Forma</u> <u>Adjustments</u>	<u>Adjusted</u> <u>Test Year</u>
Operating Revenues	\$ 6,888	\$ 1,812	\$ 8,700
Operating Expenses	<u>25,426</u>	<u>(13,435)</u>	<u>11,991</u>
Net Income	<u>\$(18,538)</u>	<u>\$ 15,247</u>	<u>\$ (3,291)</u>

The per books loss for the test year was \$18,538. After taking into consideration the pro forma adjustments, the adjusted loss would be reduced to \$3,291.

The Commission is of the opinion that, although the current rates will not recover the adjusted operating expenses, they are not unreasonable inasmuch as the developer will bear the additional expense while the subdivision is being more fully developed. Therefore, the rates should be approved.

SUMMARY

The Commission, after consideration of the evidence of record and being fully advised, is of the opinion and so finds that the current rates for sewage service charged by Applicant and set

forth in Appendix A, attached hereto and made a part hereof, are the fair, just and reasonable rates to be charged by Beulah Service Company on and after the date of this Order.

IT IS THEREFORE ORDERED that the rates set out in Appendix A, attached hereto and made a part hereof, are approved for service rendered by Beulah Service Company on and after the date of this Order.

IT IS FURTHER ORDERED that Beulah Service Company shall file with this Commission, within 30 days from the date of this Order, its tariff sheets setting forth the rates approved herein. Further, that a copy of the Applicant's regulations for providing service shall be filed with the said tariff sheets.

Done at Frankfort, Kentucky, this 28th day of September, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Voh
Chairman

Katherine Bandall
Vice Chairman

Jim Carrigan
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8109 DATED September
28, 1981

The following rates are prescribed for the customers in the area served by Beulah Sewer Company. 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>Sewer Service</u>	<u>Monthly Rate</u>
Single-Family & Duplex	\$12.50
Lake McNeely Church	12.50