

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of

WOODLAWN, OAKDALE AND HUSBANDS ROAD)
WATER DISTRICT (SEWER SYSTEM) APPLI-)
CATION FOR SEWER RATE INCREASE AND) CASE NO. 8180
ORDER ALLOWING FOR AN INCREASE IN)
SEWER RATES)

ORDER DENYING REHEARING

On November 23, 1981, the Commission entered an Order granting Woodlawn, Oakdale, and Husbands Road Water District ("Woodlawn") \$43,707 in increased operating revenue. On December 11, 1981, Woodlawn filed a petition for rehearing on four issues it contended the Commission should reconsider. For clarity, the Commission will address each issue separately.

Maintenance and Repairs Expense

Woodlawn stated that the Commission's disallowance of certain of these expenses was arbitrary and contrary to the evidence submitted to the Commission and had no foundation or basis of fact.

The Commission, prior to the hearing in this case, required Woodlawn to provide invoices supporting the test period maintenance expense of \$27,583 because this amount appeared high compared with Woodlawn's past experience and the Commission's experience with other similar sewer utilities. The Commission found that the invoices showed test period expense to be \$25,395. Since the difference of \$2,188 was neither supported by proof nor explained

by Woodlawn, the Commission concluded that the income statement expense had been erroneously overstated.

The Commission also analyzed each invoice. In its analysis, the Commission found items which should have been capitalized but had been incorrectly expensed and further found extraordinary repair expenditures which would not recur and should, therefore, be amortized to reflect a "normal" test period level. The Commission did not disallow these costs for rate-making purposes. Instead, the Commission recognized that inclusion of these expenditures in total would result in fixing rates on an abnormal level of expenses. The Commission concludes that the petition for rehearing on this issue should be denied.

Request to Recover Refund of Over-Collections
and Expenses Associated With Refund

Woodlawn stated in its second and third issues for reconsideration that the Commission had exacerbated its poor financial position by not allowing recovery of illegal rates and associated expenses which were refunded to Woodlawn's ratepayers pursuant to Case No. 7382. The Commission is of the opinion that no reconsideration is necessary.

Woodlawn's Commissioners charged its ratepayers unlawful rates which were later refunded. It would be unreasonable to require the ratepayers to repay this refund and associated expenses. In the instant case the Commission has granted Woodlawn sufficient revenues to pay its expenses and meet its debt requirements; in

addition, Woodlawn's current financial position is adequate. Therefore, the Commission concludes that the petition for rehearing on these issues should be denied.

Rate Structure

Woodlawn stated that the rates approved in the Order entered November 23, 1981, do not produce the stated revenues. The Commission has reviewed this matter and agrees that revision of the rates is necessary. Therefore, the rates in Revised Appendix A should be approved for service rendered on and after November 23, 1981.

IT IS THEREFORE ORDERED that the petition for rehearing of Woodlawn, Oakdale and Husbands Road Water District be and it hereby is denied.

IT IS FURTHER ORDERED that the rates in Revised Appendix A be and they are the fair, just and reasonable rates to be charged by Woodlawn, Oakdale and Husbands Road Water District for service rendered on and after November 23, 1981.

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

PUBLIC SERVICE COMMISSION

Marlin M. Cook
Chairman

Katherine Randall
Vice Chairman

Jim Carraway
Commissioner

ATTEST:

Secretary

REVISED
APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC
SERVICE COMMISSION IN CASE NO. 8180
DATED NOVEMBER 23, 1981

The following rates and charges are prescribed for sewer service for the customers of the Woodlawn, Oakdale and Husbands Road Water District. 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.

Water Rates on which the 100
Percent Monthly Sewer Service
Will be computed

<u>Water Usage</u>	<u>Monthly Rate</u>
First 4,000 gallons	\$ 8.00 Minimum
Next 16,000 gallons	1.45 per 1,000 gallons
Next 20,000 gallons	1.35 per 1,000 gallons
Next 40,000 gallons	1.15 per 1,000 gallons
Over 80,000 gallons	1.05 per 1,000 gallons