

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF RUSSELLVILLE #1 WATER DISTRICT)
OF LOGAN COUNTY, KENTUCKY, AND THE APPLICATION)
OF SOUTH LOGAN WATER ASSOCIATION, INC., OF)
LOGAN COUNTY, KENTUCKY, FOR THE MERGER OF)
RUSSELLVILLE #1 WATER DISTRICT AND THE TRANSFER)
OF THE ASSETS AND LIABILITIES OF RUSSELLVILLE)
#1 WATER DISTRICT TO THE SOUTH LOGAN WATER)
ASSOCIATION, INC., WITH SAID SOUTH LOGAN WATER)
ASSOCIATION, INC., TO ASSUME THE OUTSTANDING)
INDEBTEDNESS OWED BY AND RECEIVE ASSETS OF)
RUSSELLVILLE #1 WATER DISTRICT AND AUTHOR-)
IZING THE FORMER CUSTOMERS OF RUSSELLVILLE #1)
WATER DISTRICT BE CHARGED THE RATES CHARGED BY)
SOUTH LOGAN WATER ASSOCIATION, INC.)

CASE NO. 8657

O R D E R

On December 9, 1982, the Russellville #1 Water District ("Russellville") and South Logan Water Association ("South Logan") filed a motion to reconsider the Commission's Order of November 30, 1982, which approved the merger of Russellville and South Logan, but denied the requested approval of South Logan's present rates as the rates for the merged association based on 807 KAR 5:011(10).

The reasons cited in the motion for reconsideration are difficulty in billing two groups of customers, two sets of rates and additional work on the part of the association.

In analyzing the application for merger, the Commission reviewed available financial data, including Russellville's and

South Logan's annual reports. The analysis indicated that there is no financial basis for new, or higher rates for the merged association. Presently, each utility is financially sound, its coverage ratios exceed accepted minimums, and cost of service is adequately compensated.

As for the contention that billing two sets of rates will be difficult and burdensome, the Commission must emphasize that rates are to be fair, just and reasonable. Even assuming that dual rates may cause some administrative problems, the rates ordered into effect by the November 30 Order are predicated on the reasonableness standard, and the Commission is not convinced that the administrative concerns are adequate to warrant a modification of the rates previously established. Although there may be legitimate problems with the rate schedules effected by the November 30 Order, the overriding consideration is the fairness and adequacy of the rates.

However, to insure a thorough review, a hearing is scheduled for Thursday, February 3, 1983, at 9:00 A.M., E.S.T., at which the petitioners may present pertinent financial data including all information required by the Commission's regulations regarding rate adjustments to attempt to prove the necessity of adoption of a modified rate schedule.

After a review of the record, the Commission hereby ORDERS that:

1. A hearing is scheduled for 9:00 A.M., E.S.T., February 3, 1983, at the Commission's offices in Frankfort for the purpose of hearing testimony regarding the necessity of implementation of new rates for the merged association;


2. The petitioners shall prefile their testimony and financial information in verified form by January 26, 1983;


3. The petitioners shall give notice to their customers of the hearing and the proposed rates as specified by Commission regulations; and

4. If, upon compilation of their proof, the petitioners are of the opinion that they cannot meet the burden of proof, they may notify the Commission, in which case the Order of November 30, 1982, will be deemed final.

Done at Frankfort, Kentucky, this 20th day of December, 1982.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary