

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BROWNSBORO)
UTILITIES, INC., FOR AN)
ADJUSTMENT OF RATES PURSUANT) CASE NO. 8687
TO THE ALTERNATIVE PROCEDURE)
FOR SMALL UTILITIES)

O R D E R

On October 22, 1982, Brownsboro Utilities, Inc., ("Brownsboro") filed an application to increase its rates for sewer service pursuant to 807 KAR 5:076, Alternative Rate Adjustment Procedure for Small Utilities. As a part of its application, Brownsboro requested that the Commission grant an interim rate increase effective immediately and allow a surcharge to retire outstanding accounts payable for prior years' operating losses.

In adopting the alternative rate adjustment procedure for small utilities, the Commission recognized the high costs associated with rate applications before the Commission and initiated the simplified procedure in order to alleviate the cost burden of acquiring legal counsel and rate consultants. The Commission anticipated that in most cases a hearing would not be required and that the evidence of record would consist of the annual reports on file with the Commission, information submitted in the application form, and responses to informational requests.

In this case Brownsboro's request for interim rate relief is outside the procedures established in 807 KAR 5:076. Furthermore, the request to recover, by means of a surcharge, the liabilities incurred for prior years' operating losses is outside the Commission's established rate-making policies. Therefore, in order to afford due process to all parties concerned, the Commission must process this application under the general rate case procedure which will require public hearings and additional evidence on these issues.

With regard to the issue of interim rate relief, the Commission, on September 29, 1982, issued procedural guidelines which outline evidence which must be presented in support of interim rate relief. These guidelines also establish the procedure the Commission will follow in cases involving requests for interim rate relief. Therefore, Brownsboro should file information in accordance with the Guidelines for Applications for Interim Rate Relief attached hereto as Appendix A, within 20 days of the date of this Order. However, if Brownsboro should choose to withdraw its request for rate-making treatment outside the Commission's established policy, the alternative rate adjustment filing can be processed in the normal manner.

IT IS THEREFORE ORDERED that Brownsboro shall notify the Commission within 10 days after the date of this Order of its desire to proceed with this case under the general rules of the Commission or to withdraw its requests for interim rate

relief and a surcharge to recover liabilities for prior years' operating deficits.

IT IS FURTHER ORDERED that in the event Brownsboro wishes to pursue its request for interim rate relief, within 20 days of the date of this Order Brownsboro shall file information in accordance with the guidelines for interim rate relief in support of its request in this proceeding.

Done at Frankfort, Kentucky, this 5th day of November, 1982.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

PSC Guidelines for Applications for Interim Rate Relief

1. As part of its application for rate relief, or as a subsequent motion, an applicant may request an interim order pursuant to KRS 278.190 when it proves that non-discretionary expenditures have been incurred, or prior to the expiration of five months will be incurred, that cannot reasonably be paid without materially impairing the credit or operations of the utility.
2. As part of its application or as subsequent motion, the request must include, at the minimum, the following information:
 - (a) Prefiled testimony supporting the non-discretionary expenditures which have necessitated the interim rate request as well as testimony addressing any and all cost savings and productivity measures instituted by the applicant in response to these expenditures. Include details of any extraordinary items occurring during the base period which affect revenue and/or expense used to support the need for interim relief.
 - (b) Verifiable proof that such expenditures have or will be incurred in the time frame set out in paragraph 1 above.
 - (c) A monthly cash flow analysis showing the effects of 2(a) and 2(b) above for each month prior to the expected final order in applicant's general rate case.
 - (d) Proposed rates to recover the additional revenue required, developed in accordance with the most recently approved rate design structure.
3.
 - (a) The hearing for interim rate relief normally will be scheduled the fourth week after the application therefor has been received. Public notice of the hearing must be made by the applicant pursuant to Commission regulations.
 - (b) At such hearing, proof and cross-examination will normally be limited to matters relevant to the issues stated in paragraphs 1 and 2 above.
4. Due to the expeditious and interlocutory nature of the hearing for interim rate relief, the use of additional information requests is impractical and will be allowed only for good cause shown.
5. The burden of proof that the conditions in paragraphs 1 and 2 above exist rests solely with the applicant. The Commission will not consider as a part of any interim rate relief pro forma

adjustments which are clearly outside its established rate-making policy and may, on its own motion, deny said application with or without hearing, if these conditions are not met.

6. The Commission expects to issue an interim order within three weeks after the hearing. Any rate relief granted will be subject to refund, will be in the form of a summary decision and order and will not be considered to be a final adjudication on any of the issues presented at the hearing or included in the summary decision. All issues involved therein will be addressed in the Commission's final order and evidence related thereto may be presented at the subsequent full hearing on the general rate increase, which will be treated as a de novo hearing.