

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF BROWNSBORO)
UTILITIES, INC. D/B/A OLD)
BROWNSBORO PLACE FOR AN) CASE NO. 8687
ADJUSTMENT OF RATES PURSUANT)
TO THE ALTERNATIVE PROCEDURE)
FOR SMALL UTILITIES)

O R D E R

On October 22, 1982, Brownsboro Utilities, Inc., ("Brownsboro") filed an application with the Commission to increase its rates pursuant to 807 KAR 5:076, Alternative Rate Adjustment Procedure for Small Utilities ("ARF"). On July 8, 1983, the Commission issued its Order in this matter allowing Brownsboro rates that would increase its revenue by \$12,740 annually. Brownsboro filed a request for reconsideration and/or rehearing of the Commission's decision on August 1, 1983, citing as a basis for its request the Commission's rate-making treatment of the electric power cost, depreciation expense, routine maintenance fees, and interest expense on current payables. The Commission granted reconsideration on August 19, 1983, and additional information in support of its position has been supplied by Brownsboro.

Electric Power Costs

Brownsboro requested a review of the electric power cost projection based upon actual costs during 1982. In

calculating this cost the Commission used the actual volume of electricity purchased during the test year, and applied the rates of Louisville Gas and Electric Company in effect in March 1983. This adjustment was consistent with Commission policy; therefore, the Commission finds no reason to alter its previous decision.

Depreciation Expense

Brownsboro cited that an amount of \$8,395 for pump station repair, which was disallowed as a maintenance cost, was not capitalized and, therefore, not included in calculating the allowed depreciation expense. Brownsboro recommended a 3-year life to calculate the depreciation expense for this item. The Commission concurs with the position of Brownsboro that additional depreciation expense should be allowed based on the capitalization of these costs; however, it is of the opinion that a more reasonable life for depreciating the asset would be 10 years. Therefore, the Commission has increased the depreciation expense by \$840 to reflect a test year cost of \$2,355.

Routine Maintenance Fee

The Commission's adjustment to disallow the increase in routine maintenance fee to \$550 per month based on a 1982 contract for routine maintenance is consistent with Commission policy for the reasons stated in the original Order. However, in calculating the pro forma expense the Commission used the amount of routine maintenance fee

included in the 1981 Annual Report to reflect the annual cost prior to April 1, 1982. Brownsboro now states that the routine maintenance fee included in the 1981 Annual Report of \$433 per month was incorrect. On September 2, 1983, Brownsboro filed a copy of the contract for routine maintenance that covered the time period from April 1, 1981, till March 31, 1982, listing a charge of \$495 per month. The Commission has, therefore, adjusted the test year expense by \$135 to reflect the actual contract cost in effect during the test year.

Interest on Current Payables

Brownsboro requested a review of the Commission's decision to disallow interest on notes payable to associated companies. The Commission concurs with its previous decision that this item should not be allowed for rate-making purposes for the reasons stated in the original Order.

Collection Expense

The collection expense is directly related to the amount of revenue that Brownsboro collects via the formula used by Louisville Water Company to calculate the collection charge.¹ Therefore, the Commission has modified this calculation to include the increased rate allowed herein. The Commission is also using the most recent

¹ $1.72 + \frac{\text{Sewer Charge}}{\text{Water Charge} + \text{Sewer Charge}} \times \text{Number of Customers.}$

collection fee effective May 1, 1983, which results in an annual collection expense of \$2,704, which is \$41 more than allowed in the original Order.

SUMMARY

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. Brownsboro has failed to present sufficient evidence to support its argument that electric power costs should be increased to the actual costs incurred in 1982 and that interest on notes payable to associated companies should be allowed.

2. The Commission's Order of July 8, 1983, should be modified to authorize Brownsboro's additional expenses of \$840 for depreciation on pump station repair, \$744 to reflect the actual routine maintenance contract in effect on April 1, 1981, and \$41 for collection expenses.

3. The rates in the Commission's Order entered July 8, 1983, should be modified by the rates in attached Appendix A in that they will produce additional revenues of \$1,846 based on the adjustments in Finding No. 2 and making the proper adjustments for the operating ratio of 88 percent.


IT IS THEREFORE ORDERED that the Commission's Order entered July 8, 1983, be and it hereby is modified in accordance with Findings Nos. 2 and 3 and affirmed in all other respects.


IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are approved for service rendered by Brownsboro on and after the date of this Order.

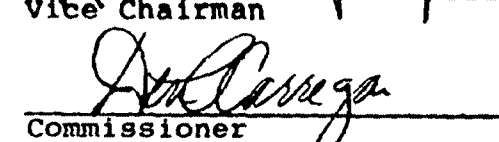
IT IS FURTHER ORDERED that within 30 days of the date of this Order Brownsboro shall file with the Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 3rd day of November, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 8687 DATED NOVEMBER 3, 1983.

The following rates and charges are prescribed for the customers in the area served by Brownsboro Utilities, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

CLASSIFICATION OF SERVICE

RATE

Single Family Residential

\$18.64 per month