

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF GLENGARRY)
UTILITIES, INC., GLENGARRY)
SEWAGE TREATMENT PLANT, FOR AN)
ADJUSTMENT OF RATES PURSUANT TO) CASE NO. 8690
THE ALTERNATIVE PROCEDURE FOR)
SMALL UTILITIES)

O R D E R

On November 17, 1982, Glengarry Utilities, Inc., ("Glengarry") 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 Glengarry rates that would increase its revenue by \$11,010 annually. Glengarry 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 routine maintenance fees, maintenance of the treatment plant, interest expense on notes to associated companies and other short-term debt and sludge hauling expense. The Commission granted reconsideration on August 19, 1983, and additional information in support of its position has been supplied by Glengarry.

Routine Maintenance Fee

The Commission's adjustment to disallow the increase in the routine maintenance fee to \$600 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. Glengarry now states that the routine maintenance fee included in the 1981 Annual Report of \$500 per month was incorrect. On September 2, 1983, Glengarry filed a copy of the contract for routine maintenance that covered the time period from April 1, 1981, until March 31, 1982, listing a charge of \$550 per month. The Commission has, therefore, adjusted the test year expense by \$600 to reflect the actual contract cost in effect during the test year.

Maintenance of Treatment Plant

Glengarry requested a review of the Commission's decision in its allowance of only \$1,286 for maintenance of the treatment plant. An examination of the annual reports of Glengarry for previous years shows that for the year 1979 the maintenance expense was \$2,588 and in 1980 \$1,463, or a 2-year average of approximately \$2,000. Moreover, the Commission not only allowed maintenance expense of \$1,286, but also allowed pro forma depreciation expense on capital items removed from maintenance expense of \$1,836. This adjustment was consistent with Commission policy; therefore, the Commission finds no reason to alter its previous decision.

Interest Expense on Short-Term Debt and Notes Payable to Associated Companies

Glengarry requested a review of the Commission's decision to disallow interest on notes payable to associated companies and other short interest expense on funds to pay current operating

expenses. 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.

Sludge Hauling Expense

Glengarry's pro forma test year expense included \$4,095 for sludge hauling. The Commission reduced this expense by \$603 as a result of six loads of sludge being hauled during the month of December 1980 and thus not incurred in the test period. Glengarry submitted for this Commission's inspection Invoice No. 2313 of C.F.S. Services, Inc., dated February 15, 1982, which shows that seven loads of sludge were hauled during the month of December 1981 and paid for in 1982 for a total of \$665. The Commission has, therefore, adjusted the test year expense related to sludge hauling for December 1981 by \$665.

Collection Expense

The collection expense is directly related to the amount of revenue that Glengarry collects via the formula used by the Louisville Water Company to calculate the collection charge. Therefore, the Commission has modified the calculation to include the increased rates allowed herein, which results in an annual collection expense of \$2,104 or an increase of \$148.

SUMMARY

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

1. The Commission's Order of July 8, 1983, should be modified to authorize Glengarry's additional expenses of \$600 to reflect the actual routine maintenance contract in effect on April 1, 1981, \$665 related to sludge hauling expense and \$148 for

collection expenses.

2. The rates in the Commission's Order entered July 8, 1983, should be modified by the rates in Appendix A of this Order so as to produce additional revenues of \$1,663 based on the adjustments in Finding No. 1 and making the proper adjustments for the operating ratio of 88 percent and for Federal, Kentucky and Jefferson County, Kentucky, income taxes.

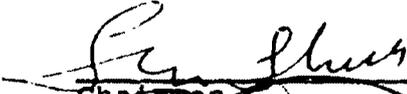
IT IS THEREFORE ORDERED that the Commission's Order entered July 8, 1983, be and it hereby is modified in accordance with Findings No. 1 and 2 and affirmed in all other respects.

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

IT IS FURTHER ORDERED that within 30 days of the date of this Order, Glengarry shall file with the Commission its 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 PUBLIC SERVICE
COMMISSION IN CASE NO. 8690 DATED NOVEMBER 3,
1983.

The following rates are prescribed for customers served by Glengarry Utilities, Inc., Glengarry Subdivision. 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 effective date of this Order.

CLASSIFICATION OF CUSTOMERS

RATE

Residential

\$11.90 per month

Commercial

100% of Water Bill