

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

CONCERNED CITIZENS FOR)
LOWER SEWER RATES VS) CASE NO. 8760
FANCY FARM SEWER DISTRICT)

O R D E R

On July 20, 1982, the Commission received a petition from Concerned Citizens For Lower Sewer Rates ("Citizens") regarding the sewer rates of Fancy Farm Sewer District ("Fancy Farm"). The Citizens were concerned about what they termed unusually high sewer bills and asked whether any legal steps could be taken to lower the rates.

After reviewing the petition the Commission determined that additional information would be necessary to determine if any adjustment could be made to the sewer rates of Fancy Farm.

On August 16-18, 1982, members of the Commission's Rates and Tariffs Division visited Fancy Farm to secure the needed information. A billing analysis was performed for a 12-month period ending July 1982 to determine the reasonableness of the rates granted in Case No. 7739. A copy of the report made by the staff dated September 13, 1982, was made available to all concerned parties.

The sewage facilities of Fancy Farm were inspected by the Commission's Engineering Division on October 13-14, 1982. The

treatment plant had been in operation for approximately 7 months. A copy of the staff report dated October 15, 1982, was furnished to all concerned parties.

On December 10, 1982, a public meeting was held in Fancy Farm, Kentucky, to answer questions from customers concerning their sewer rates. After the public meeting, the Commission concluded that a hearing would be necessary in this case, and one was held in the Commission's offices at Frankfort, Kentucky, on March 1, 1983. The Graves County Attorney representing Fancy Farm, citizens and counsel from the Fancy Farm community, and the Consumer Protection Division of the Attorney General's Office participated in the hearing.

SUMMARY

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

1. At the hearing on March 1, 1983, the Citizens submitted a proposed schedule of rates which represented a modified form of the current rate schedule.

2. The Citizens submitted signed statements of customers unable to attend the hearing which showed that the majority of customers were not opposed to a change in rate design. Mr. Sam Hayden, a Fancy Farm board member, stated that Fancy Farm had no objection to a change in rate design as long as it produced sufficient revenue and was a fair rate to all customers.

3. The Citizens stated that after research they understood that Fancy Farm needed the revenue generated from the present rates and therefore, were not asking for a decrease in the revenue

requirements but for rates that are more equitable to all customers.

4. The rates proposed by the Citizens are based on water usage and may not produce sufficient revenues because there is a \$4.50 to \$5.00 increase between each step in the rate block. For example, a customer who uses 5,000 gallons would pay \$15 while a customer who used 6,000 gallons would pay \$20. If several customers who used 6,000 gallons during the test period began using less water and only used 5,000 gallons, the decrease in revenue would be \$5 per customer per month. The Commission is of the opinion that the large difference in rate steps would not be fair to all customers and, further, that Fancy Farm could not absorb any loss in revenues; therefore, the proposed rates should be denied.

5. After reviewing the present rates, the rates proposed by the Citizens, and the usage consumption patterns detailed in the staff billing report dated September 13, 1982, the Commission has determined that an alternative rate design based not on water usage but on a flat rate design would be in the best interest of Fancy Farm. In a rural area such as Fancy Farm, a large amount of water bought is not discharged into the sewer system. Water used to water gardens, lawns and livestock does not result in added expense to the sewer district. By the implementation of a flat rate the customers would have the benefit of knowing the amount of their sewer bill each month and could plan their budget accordingly. Fancy Farm would benefit in that the revenue collected each month would be more stable allowing Fancy Farm to

better allocate its expenses. Therefore, the Commission should establish a flat rate of \$16 per month for all customers except Brown Thompson, a commercial customer, and Fancy Farm School which should be \$85 and \$130 per month, respectively.

6. There are customers who have refused to connect to the sewer system. At the hearing Fancy Farm asked the Commission to address this matter in its Order. The Commission has determined that this matter is outside the jurisdiction of the Commission and that Fancy Farm should obtain a legal opinion from the Office of the Attorney General regarding what legal steps may be taken in this matter.

7. Fancy Farm currently has eight customers connected to grinder pumps. These customers have \$1 per month deducted from their bills because they pay for the electricity used by the grinder pumps. There is no provision in Fancy Farm's tariff for this rate; therefore, Fancy Farm should include this rate in its tariff.

8. The rates and charges in Appendix A produce gross annual revenues of approximately \$38,100 and are the fair, just and reasonable rates to be charged for sewage service rendered by Fancy Farm.

IT IS THEREFORE ORDERED that the rates proposed by the Citizens be and they hereby are denied.

IT IS FURTHER ORDERED that the rates and charges in the Appendix to this Order be and they hereby are fixed as the fair, just and reasonable rates and charges to become effective for sewage service rendered by Fancy Farm on and after June 1, 1983.

IT IS FURTHER ORDERED that Fancy Farm shall file a tariff to include the \$1 per month deduction made on the bills of customers who are connected to grinder pumps.

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


IT IS FURTHER ORDERED that all provisions of the Order in Case No. 7739, dated September 26, 1980, not specifically amended herein, shall remain in full force and effect.

Done at Frankfort, Kentucky, this 31st day of May, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 8760 DATED May 31, 1983.

The following rates and charges are prescribed for the customers in the area served by Fancy Farm Sewer District. 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.

RATES: Monthly

Residential	\$ 16.00
Brown Thompson	85.00
School	130.00