

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF SOUTH)
WOODFORD WATER DISTRICT)
FOR AN ADJUSTMENT OF RATES) CASE NO. 8762
PURSUANT TO THE ALTERNATIVE)
PROCEDURE FOR SMALL UTILITIES)

O R D E R

On January 28, 1983, South Woodford Water District ("South Woodford") filed its application in accordance with 807 KAR 5:076, Alternative Procedure for Small Utilities, seeking approval of its proposed rate increase of \$51,329. On June 15, 1983, the Commission entered its Order allowing South Woodford to increase its rates by \$6,613. On July 5, 1983, South Woodford filed its application for rehearing for the purpose of presenting evidence as to why interest and depreciation expenses for certain extensions that had been disallowed by the Commission should be included in South Woodford's cost of service. The Commission granted the rehearing which was held as scheduled on August 11, 1983, at the Commission's offices in Frankfort, Kentucky.

In its Order of June 15, 1983, the Commission disallowed depreciation on and the financing costs of four line extensions which are presently in use by South Woodford. The Commission determined that South Woodford's method of constructing and financing these extensions without prior Commission approval and

without any legal obligation to South Woodford was highly irregular and failed to comply with 807 KAR 5:001. The Commission further concluded that the extensions should properly be considered contributed property, and therefore none of the costs of the extensions should be included for rate-making purposes.

The record on rehearing is replete with testimony stating that South Woodford did not become legally obligated to the financings for the line extensions, and that these extensions were obtained by South Woodford without cost since the customers on the individual line extensions signed for and became obligated for the loans and turned the extensions over to South Woodford for maintenance and use. The Commission is therefore still of the opinion that it would be unfair to the remainder of South Woodford's customers to require them to bear the burden of retiring debt on which South Woodford has no obligation or to allow depreciation expense on property in which South Woodford has no investment.

FINDINGS AND ORDERS

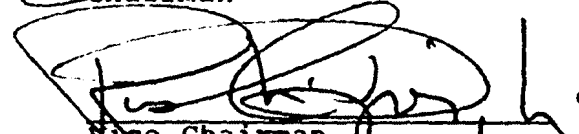
After examining the evidence of record and being advised, the Commission hereby finds that its original Order in this matter issued June 15, 1983, should be affirmed in its entirety as no additional evidence was provided by South Woodford on rehearing to change the Commission's opinion.

IT IS THEREFORE ORDERED that the Commission's Order of June 15, 1983, issued in this proceeding be and it hereby is affirmed.

Done in Frankfort, Kentucky, this 7th day of October, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary