

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF DEWITT)
WATER DISTRICT FOR AN AD-)
JUSTMENT OF RATES PURSUANT) CASE NO. 8798
TO THE ALTERNATE PROCEDURE)
FOR SMALL UTILITIES)

ORDER ON REHEARING

On August 25, 1983, the Commission issued an Order in this matter denying reconsideration on the issues of excess line loss and depreciation on contributed property, and allowing reconsideration on the issue of rate case expense. The Commission allowed Dewitt Water District ("Dewitt") to provide additional information in support of the rate case expense including copies of invoices for work performed for this case, a breakdown of hours billed, hourly rates for services rendered, a detailed description of the work performed and a statement as to why this level of expense is reasonable in this case.

On September 8, 1983, the Commission received a response to the Order from James M. Honaker, counsel for Dewitt. A response was also filed by Starling S. Gregory, Receiver for East Knox County Kentucky Water District ("East Knox") and consultant to Dewitt, on September 9, 1983. The response submitted by Mr. Gregory contained details of the hours billed East Knox by Howard K. Bell, Consulting

Engineers, for work performed by Mr. Gregory and others in connection with the Dewitt rate case.

The data supplied by Mr. Gregory reflected total charges of \$2,687 for services rendered by Mr. Gregory and associates at Howard K. Bell. The rate billed for Mr. Gregory's services was \$67.50 per hour and amounted to \$2,295 of the total bill.

As a part of his response to the Order granting reconsideration, Mr. Gregory explained the operating arrangement between East Knox and Dewitt. East Knox presently operates Dewitt as if it were a part of its own system although services provided by East Knox are generally paid for on a cost plus basis. East Knox is, and has been since November 15, 1968, in receivership under Order of the United States District Court. Mr. Gregory is the Court appointed receiver for East Knox. Dewitt has no employees but since 1982 three individuals have served as commissioners.

Since Dewitt has no employees, the services needed to prepare and file a rate increase request before this Commission had to be provided either by personnel of East Knox (since they operate Dewitt), by the commissioners of Dewitt, or by an outside consultant. Mr. Gregory stated that East Knox contracts with Howard K. Bell for service requirements such as are needed in this instance. None of the reported rate case expense was for services provided by East Knox employees.

The Commission affirms its concern over the excessive rate case expense in this case. Moreover, the arrangement whereby the services of the receiver of East Knox are billed at consultant's rates through a private consulting firm is of concern to the Commission. However, since evidence has been submitted reflecting actual rate case expense in excess of the amount requested to be included by Dewitt in this case, the Commission will allow the pro forma adjustment originally proposed by Dewitt for rate-making purposes herein. This adjustment will result in additional operating revenues of \$500.

SUMMARY

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that the rates established in the Order in this matter issued on July 15, 1983, should be modified to produce an additional \$500 in annual revenues based on the additional evidence presented in support of the pro forma adjustment for rate case expense.

IT IS THEREFORE ORDERED that the Commission's Order entered July 15, 1983, in this matter be and it hereby is modified in accordance with the above finding 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 Dewitt on and after the date of this Order.

IT IS FURTHER ORDERED that within 30 days of the date of this Order Dewitt 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 PUBLIC SERVICE
COMMISSION IN CASE NO. 8798 DATED November 3, 1983.

The following rates are prescribed for the customers in the area served by Dewitt Water District. 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 date of this Order.

RATES: Monthly

First	1,000 gallons	\$ 5.75	Minimum Bill
Next	9,000 gallons	2.05	per 1,000 gallons
Next	20,000 gallons	1.65	per 1,000 gallons
Over	30,000 gallons	1.25	per 1,000 gallons