

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF FORDHAVEN, )  
INC., FOR AN ADJUSTMENT OF RATES ) CASE NO. 9303  
PURSUANT TO THE ALTERNATIVE )  
PROCEDURE FOR SMALL UTILITIES )

O R D E R

On August 8, 1985, the Commission issued an Order in this proceeding wherein it granted Fordhaven, Inc., (Fordhaven) a rate increase in the amount of \$323. On August 29, 1985, Fordhaven filed a petition for rehearing on three issues in the Order as follows:

The first issue raised by Fordhaven involved its rate case expense. Fordhaven projected accounting fees of \$2,500 to be considered as its rate case expense and proposed that it be amortized over a 3-year period. Based on the information provided, the Commission allowed \$1,000 of rate case expense amortized over a 3-year period.

Upon review of the letter submitted by Ivan S. O'Koon, CPA, the Commission has reconsidered the rate case expense previously allowed. Mr. O'Koon stated that they constructed company records from raw data for the rate case. These compilations required analyzing and assembling the information necessary to properly evaluate the case. Therefore, the Commission amends its previous decision in this case to allow for the requested rate case expense of \$2,500 to be amortized over a 3-year period. However, the

Commission is disturbed with the lack of recordkeeping by Fordhaven. Therefore, the Commission is putting Fordhaven on notice that its recordkeeping is to be improved and properly maintained as prescribed by the Uniform System of Accounts. These procedures will be closely monitored by the Commission in the future.

The second issued raised by Fordhaven concerned interest expense. Fordhaven has presented no new evidence with regard to associated debt. As stated in its Order, the Commission is of the opinion that such an allowance would constitute retroactive rate-making. The Commission affirms its decision that the \$3,317 of interest expense be disallowed.

The third issue raised by Fordhaven was the computation of revenue requirements. Mr. O'Koon made his computation of revenue requirements based on his estimate of test-period expenses of \$26,729 rather than the \$26,120 used by the Commission. The difference represents sales taxes collected on the water bills of Fordhaven. The revenue requirement computed by the Commission deducted the sales taxes from actual operating revenues and operating expenses for the test period to make the proper evaluation; therefore, no change is needed in the computation by the Commission.

#### SUMMARY

Based on the issues presented in this petition for rehearing and after further consideration of the evidence of record and being advised, the Commission is of the opinion and finds that:

1. The rates previously allowed in this proceeding in the Commission's Order dated August 8, 1985, are amended herein to reflect rate case expense in the amount of \$2,500 amortized over 3 years.

2. The rates in Appendix A are the fair, just and reasonable rates to charge for sewer services rendered to Fordhaven's customers and should produce annual revenues of \$32,494, representing an additional increase of \$596.

IT IS THEREFORE ORDERED that the rates prescribed in the Order dated August 8, 1985, be and they hereby are amended.

IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are the fair, just and reasonable rates of Fordhaven for sewer services rendered on and after the date of this Order.

IT IS FURTHER ORDERED that Fordhaven's petition for rehearing on the issue of interest expense be and it hereby is denied.

IT IS FURTHER ORDERED that Fordhaven's petition for rehearing on the issue of the computation of revenue requirement be and it hereby is denied.

IT IS FURTHER ORDERED that, within 30 days of the date of this Order, Fordhaven shall file with the Commission its tariff sheets setting forth the rates approved herein and a copy of its rules and regulations for providing sewer services.

Done at Frankfort, Kentucky, this 18th day of September, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Hemmigh  
Chairman

Russell H. Taylor, Jr.  
Vice Chairman

James M. Williams  
Commissioner

ATTEST:

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Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 9303 DATED 9/18/85

The following rates and charges are prescribed for customers receiving sewer service from Fordhaven Sewer Plant. 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.

<u>CUSTOMER CLASS</u>	<u>RATE</u>
Residential	\$ 19.55
Apartments	
4-Plex	57.70
6-Plex	86.50
8-Plex	110.00