

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF FRIENDLY UTILITIES,)
INC., D/B/A FRIENDLY HILLS EAST SEWER)
SYSTEM FOR A RATE ADJUSTMENT PURSUANT) CASE NO. 9129
TO THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

O R D E R

On June 16, 1986, the Commission ordered Friendly Utilities, Inc., ("Friendly") to refund to its customers the excess revenues collected through the rates in effect from March 22, 1985, through May 7, 1986. On July 7, 1986, Friendly filed a motion for rehearing. On September 4, 1986, the Commission denied Friendly's motion and ordered Friendly to file a refund plan within 20 days. Friendly's request for an extension was granted until October 31, 1986. Friendly filed its refund plan on October 27, 1986, to which Friendly Hills East Neighborhood Association, Inc., filed its objection, on November 6, 1986.

COMMENTARY

Friendly submitted two refund plans: Plan "A", based on Friendly's continued operation of the sewer system and Plan "B", based upon a takeover of Friendly by the Louisville and Jefferson County Metropolitan Sewer District ("MSD") as approved by the Commission in Case No. 9715. Plan "A" proposed to refund the excess revenues of \$8,709 through a monthly credit of \$2.82 to customers' bills over 12 months. This plan complies with the

Commission's directive which assumed Friendly's continued operation of the sewer system. It would have returned the overcharges to the customers in 12 months, for a refund of \$33.84 per customer. Therefore, due to the refund, an individual customer would pay \$33.84 less, over 12 months, than without the refund.

Plan "B" appears not to offer any refund to Friendly's customers but only shows the reduced rate to be charged by MSD. It does not return anything from Friendly to its customers from excess revenues collected by Friendly from March 1985 to May 1986. It merely presents a calculation of the difference between Friendly's rate and MSD's rate, a difference that in no way relates to the refund of \$33.84 that is due each of Friendly's customers.

SUMMARY

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

1. The refund plan presented as Plan "A" is moot inasmuch as Friendly no longer operates the system.

2. Refund Plan "B" does not appear to meet the Commission's objective in ordering a refund and does not appear an acceptable method of refund in conjunction with Friendly's takeover by MSD.

3. Friendly should be granted an opportunity to present evidence to justify its proposal.

IT IS THEREFORE ORDERED that:

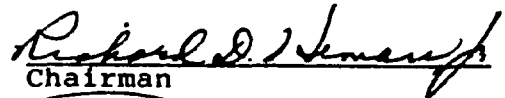
1. Friendly shall not implement either of the refund plans submitted to the Commission in its filing of October 27, 1986.

2. Friendly shall appear at a hearing on Wednesday, January 21, 1987, at 9:00 A.M., Eastern Standard Time, to present evidence on the appropriateness of its refund plans.

3. Any party to this proceeding may appear at the hearing to present testimony in support of or opposition to the plans.

Done at Frankfort, Kentucky, this 5th day of December, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director