

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CARDINAL UTILITIES, )  
INC., FOR AN ADJUSTMENT OF RATES )  
PURSUANT TO THE ALTERNATIVE PROCEDURE ) CASE NO. 9876  
FOR SMALL UTILITIES )

O R D E R

On March 2, 1987, Cardinal Utilities, Inc., ("Cardinal") filed its application seeking to increase its rates pursuant to the Alternative Rate Filing Procedure for Small Utilities.

Neither Cardinal nor the Commission sought a hearing in this matter. There were no intervenors and all requested information has been filed.

On April 9, and 10, and May 13, 1987, the Commission staff conducted a field review of Cardinal's test period financial and billing records. On July 16, 1987, the staff issued its report containing its recommendations. After careful review and investigation of the staff's recommendations and the response filed by Cardinal the Commission is of the opinion that Cardinal will have adequate cash flow to meet its obligations and provide for future equity growth. Therefore, the Commission affirms the staff's recommended annual increase of \$7,248.

The staff also recommended that Cardinal's commercial rate schedule, which is based on water usage, be changed to a flat rate and that multi-unit residential customers served through master meters be billed on a per unit basis. The Commission is of the

opinion that the billing and rate design analysis shows the proposed change in rate design will benefit both Cardinal and its customers and, therefore, accepts the recommended rate design.

The staff reviewed each of the six subdivisions served by Cardinal and listed problems unique to each. Many of these problems involve construction of laterals, connections, and/or extensions to the main in order to provide adequate service. Since these are existing subdivisions where the usual recovery of construction costs through advances from developers or through sale of lots is not available to Cardinal, the Commission accepts the staff's recommendation to allow Cardinal to require contributions in aid of construction.

#### FINDINGS AND ORDERS

1. The rates and charges proposed by Cardinal will produce revenues greater than those found reasonable herein and should be denied.

2. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by Cardinal in that they should produce annual revenues of \$41,200 on an 8-month basis and \$61,800 on an annual basis.

3. Where service is requested requiring construction of laterals and connections by Cardinal and no previous contribution in aid of construction has been made, Cardinal should be allowed a contribution from customers not to exceed the average cost of such construction and connection. Cardinal should submit detailed cost data showing such average cost for Commission approval and inclusion in its tariff. Customers should have the option of

making other arrangements for construction so long as it is inspected by and meets Cardinal's specifications. In instances where it is necessary to extend the main to provide service to a customer or group of customers, Cardinal should bear the cost of constructing 25 feet per customer with the remaining cost to be contributed by the customers requesting the service. Thereafter, for a period of 10 years, for each additional customer connected to that portion of the main, Cardinal should refund to the customers making the contribution the average cost of 25 feet of main.

4. Within 30 days of the date of this Order, Cardinal should file with this Commission its revised tariff sheets setting out the rates approved herein.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Cardinal be and they are hereby denied.

2. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by Cardinal for service rendered on and after the date of this Order.

3. Within 30 days from the date of this Order, Cardinal shall file detailed cost data showing the average cost of construction of laterals and connections in accordance with Finding No. 3 herein, and appropriate tariff sheets showing the proposed amount and conditions under which such contributions will be required. The tariff sheets shall include the extension policy set forth in Finding No. 3.

4. Within 30 days of the date of this Order, Cardinal shall file with this Commission its revised tariff setting out the rates approved herein.

Done at Frankfort, Kentucky, this 29th day of September, 1987.

PUBLIC SERVICE COMMISSION

*Richard D. Demaree Jr.*  
Chairman

*[Signature]*  
Vice Chairman

*[Signature]*  
Commissioner

ATTEST:

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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 9876 DATED 9/29/87

The following rates and charges are prescribed for the customers in the area served by Cardinal Utilities, Inc. 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>Monthly Rate</u>
Single Family Residential	\$17.10
Multi-Unit Residential	17.10 per unit
Commercial	25.10