

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LEXINGTON-SOUTH ELKHORN)
WATER DISTRICT AND KENTUCKY-AMERICAN)
WATER COMPANY FOR THE APPROVAL OF THE)
PURCHASE BY KENTUCKY-AMERICAN WATER)
COMPANY OF THE ASSETS OF THE LEXINGTON-) CASE NO. 9926
SOUTH ELKHORN WATER DISTRICT, FOR)
APPROVAL OF RATES TO BE CHARGED FOR)
SERVICE WITHIN THE BOUNDARIES OF THE)
LEXINGTON-SOUTH ELKHORN WATER DISTRICT)
AFTER ACQUISITION AND FOR A CERTIFICATE)
OF CONVENIENCE AND NECESSITY AUTHORIZING)
THE CONSTRUCTION OF CERTAIN IMPROVEMENTS)

O R D E R

On January 15, 1988, Kentucky-American Water Company ("Kentucky-American") and Lexington-South Elkhorn Water District ("Lexington-South Elkhorn") filed an Amended Petition seeking approval of the transfer of Lexington-South Elkhorn to Kentucky-American and for a certificate of convenience and necessity for certain improvements.

This petition is the parties' response to the Commission's Order of September 23, 1987. In that Order, the Commission generally approved the transfer, but rejected certain sections related to new construction.

After a review of the record, the Commission finds that the concerns expressed in its prior order have not been met. The Amended Petition proposes to recover the costs of extension of

water service to a limited number of customers from Kentucky-American's total customer base, rather than directly from those customers benefited. This is a substantial departure from the extension procedure contained in Kentucky-American's tariffs and of 807 KAR 5:066(12).

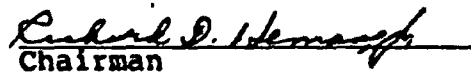
While some subsidization among customers is inherent in the concept of a public utility, this proposal to charge existing customers for substantially all of the costs of the extensions is unreasonable. The Commission will consider reasonable modifications to the proposal which will balance the need for a regional approach to water supply and an equitable assignment of costs.

IT IS ORDERED that:

1. The Amended Petition is denied;
2. The case is dismissed.

Done at Frankfort, Kentucky, this 12th day of August, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director