

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE EFFECTS OF THE TAX REFORM ACT OF)	ADMINISTRATIVE CASE
1986 ON CONTRIBUTIONS IN AID OF)	NO. 313
CONSTRUCTION AND CUSTOMER ADVANCES)	

O R D E R

On August 28, 1990, Kentucky-American Water Company ("Kentucky-American") notified the Commission that it had complied with the Commission's August 1, 1990 Order by refunding the income tax portion of contributions in aid of construction ("CIAC") and customer advances that had been collected between June 11, 1987 and April 15, 1988. Further, Kentucky-American brought to the Commission's attention that CIAC and customer advances collected between January 1, 1987 and June 11, 1987 were, at the contributor's option, increased to include the applicable income taxes, or not increased if the contributor agreed to no refunds for subsequent customer additions. During the period January 1, 1987 through June 11, 1987, Kentucky-American collected \$439,744 attributable to income taxes. Since that time, Kentucky-American has refunded \$208,781 of those income tax collections, leaving a balance of \$230,963.

Based on the information provided by Kentucky-American and being advised, the Commission hereby finds that under the spirit, if not the letter, of Brown Sprinkler Corporation v. Kentucky Public Service Commission, Franklin Circuit Court, Civil Action No. 88-CI-0930, Judgment entered June 15, 1990, refunds should be

made of the income tax portion collected on all CIAC and customer advances irrespective of the date of collection. Furthermore, those contributors that elected to not pay the tax portion should be entitled to refunds of their extension deposits based on customer additions to the main extension.

IT IS THEREFORE ORDERED that:

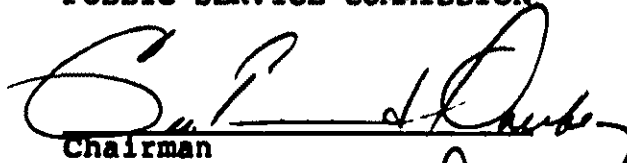
1. Every utility that collected CIAC and customer advances that were increased to include income taxes shall refund the refund tax portion within 20 days of the date of this Order.


2. Every utility that offered a main extension option of no refunds if no income taxes were paid shall make refunds as if the no refund option had not been elected.

3. Any utility making a refund in compliance with the terms of this Order shall file the supporting documentation as fully described in the Commission's August 1, 1990 Order.

Done at Frankfort, Kentucky, this 17th day of September, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director