

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HEATHER HILL SEWAGE)	
TREATMENT PLANT, INC., FOR A RATE)	CASE NO.
ADJUSTMENT PURSUANT TO THE ALTERNATIVE)	90-060
RATE FILING PROCEDURE FOR SMALL UTILITIES)	

O R D E R

On March 19, 1990, Heather Hill Sewage Treatment Plant, Inc. ("Heather Hill") filed an application with the Commission seeking to increase its rates for sewer service pursuant to the Alternative Rate Filing Procedure for Small Utilities. The proposed rates were designed to generate approximately \$5,294 annually in additional revenues, an increase of 20 percent over normalized test-year revenues of \$26,465.

On April 16, 1990, the Heather Hill Association ("Association"), an organization consisting of property owners in Heather Hill Subdivision in Oldham County, filed a request with the Commission for limited intervention in this proceeding. The Commission granted limited intervention to the Association by Order of April 26, 1990.

In April of 1990, Commission Staff conducted a field review of Heather Hill's test-year financial records. Based upon this review, Staff issued its report on June 6, 1990, recommending that Heather Hill reduce its normalized revenues from rates by \$2,149. On July 2, 1990, Heather Hill filed its response to the Staff

Report. In its response, Heather Hill provided additional information documenting various expenses, requested an informal conference with Staff, and reserved its right to request a public hearing at a later date. A response to the Staff Report was also received from the Association on July 2, 1990. That response included information challenging Heather Hill's estimation of its total number of customers, asserting that there were significantly more customers on the system than that number upon which the findings of the Staff Report were based.

An informal conference was held in this proceeding at the Commission's offices on July 24, 1990. Among other issues, the number of customers upon which the Staff Report should have been based was discussed, and Heather Hill agreed to provide additional information documenting expenses to the Commission. That information was provided on August 16, 1990. In addition, by letter received at the Commission on September 10, 1990, Heather Hill filed into the record its clarification of the Commission's September 24, 1990 informal conference memorandum.

On September 11, 1990, Staff issued an Amended Staff Report. Based upon the additional information provided by Heather Hill subsequent to the original Staff Report, Staff recommended a revised revenue increase of \$13,441. On September 28, 1990, the Association filed comments to the Amended Staff Report, protesting the findings of the amended report, requesting another informal conference, and preserving its right to a public hearing. The informal conference was held at the Commission's offices on October 18, 1990. At the conference, the Association filed

additional information into the record regarding the number of customers served by Heather Hill, and submitted information regarding the amortization of Heather Hill's equipment loan and the expense allowance of \$3,696 for sewer cleaning. Subsequent to the informal conference, the Association filed additional comments.

On November 8, 1990, Staff issued a second Amended Staff Report. Based upon information clarifying Heather Hill's sewer cleaning expense and a revised amortization schedule, Staff revised its recommendation to a recommended revenue increase of \$10,356. All parties were given a deadline of November 26, 1990 to file written comments to the Staff Report and/or to request a hearing. On November 27, 1990, the Association requested an extension of time to file comments. The Commission granted an extension and the Association's final comments were filed with the Commission on December 11, 1990. Neither Heather Hill nor the Association have requested a public hearing in this matter.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds:

1. The recommendations and findings contained in the Staff Report of June 6, 1990, as amended on September 11, 1990 and November 8, 1990, are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and are incorporated by reference as if fully set out herein.

2. The rates in Appendix A, attached hereto and incorporated herein, are the fair, just, and reasonable rates for

service provided by Heather Hill and will produce annual revenues of \$36,821. These rates will allow Heather Hill sufficient revenues to meet its operating expenses, service its debt, and provide for future equity growth.

3. The rates proposed by Heather Hill in its application will produce revenue increases which are unreasonable and thus inconsistent with KRS 278.030.

IT IS THEREFORE ORDERED that:

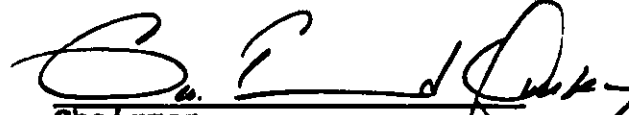
1. The rates proposed by Heather Hill in its application are hereby denied.


2. The rates contained in Appendix A are approved for service rendered by Heather Hill on and after the date of this Order.

3. Within 30 days of the date of this Order, Heather Hill shall file with the Commission its revised tariffs setting out the rates approved herein.

Done at Frankfort, Kentucky, this 14th day of January, 1991.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner

APPENDIX A

**APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 90-060 DATED 1/14/91**

The following rates and charges are prescribed for sewage service to customers of Heather Hill Sewage Treatment Plant, Inc. All other rates and charges not specifically set forth herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Rate

\$26.05