

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF REIDLAND WATER AND)	
SEWER DISTRICT FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY,)	CASE NO.
AUTHORIZING APPLICANT TO CONSTRUCT AN)	91-042
ELEVATED WATER STORAGE TANK AND)	
ASSOCIATED WATER LINES)	

O R D E R

On June 25, 1991, Reidland Water and Sewer District ("Reidland") filed a Second Amended Application in this proceeding. Reidland's previous applications filed herein had requested a Certificate of Public Convenience and Necessity to construct a water storage tank and associated water lines, and approval of financing for said construction. Reidland's Second Amended Application adds a request for approval of an adjustment of rates and surcharges necessary to pay the indebtedness incurred.

Reidland states in its Second Amended Application that the Kentucky Infrastructure Authority ("KIA") has conditionally approved a loan to the applicant to finance the construction. The KIA loan will have a term of 20 years. Reidland states that an adjustment of its rates is required in order to obtain final approval of its loan application from KIA. Reidland requests that it be allowed to convert its current five-year surcharge, authorized pursuant to KRS 74.395 ("KRS 74.395 surcharge"), to a

general surcharge to be collected for a period contemporaneous with the 20-year term of the KIA loan. In the alternative, Reidland requests the Commission to approve an increase in general rates in an amount equal to its current KRS 74.395 surcharge at the end of the five-year surcharge collection. As another alternative, Reidland requests that the current KRS 74.395 surcharge be removed and the amount of the surcharge added to its existing general rate schedule. Reidland filed an Exhibit S with its application, showing the proposed increased general rates, should this be the alternative selected by the Commission.

Pursuant to 807 KAR 5:011, Section 8, utilities must notify their customers of proposed rate changes by publication once a week for three consecutive weeks in a newspaper of general circulation in their service area. The regulation also sets out the language required in such notification. In its Second Amended Application, Reidland requests the Commission to grant a deviation from this requirement on the basis that, if the Commission grants an increase in its general rates as set out in Exhibit S, existing rates will not increase overall since the surcharge will be eliminated.

Having reviewed Reidland's Second Amended Application and being otherwise sufficient advised, the Commission finds that Reidland should not be granted a deviation from the requirements of 807 KAR 5:011, Section 8. Although Reidland's proposed general rates may not result in an overall increase in actual charges to its customers, the Commission may order rates to be charged that differ from those proposed by Reidland.

In its Second Amended Application, Reidland also requests a deviation from the requirement that its financial exhibit cover operations for a 12-month period ending not more than 90 days prior to the filing of the application. (807 KAR 5:001, Section 10 and Section 6.) Having reviewed Reidland's Second Amended Application and being otherwise sufficiently advised, the Commission finds that the information filed therein, including monthly financial reports for the period of January through May 1991, is sufficient to enable the Commission to adequately review Reidland's application. Therefore, its request for a deviation from the cited regulation should be granted.

IT IS THEREFORE ORDERED that:

1. Reidland's request for a deviation from the notice requirement of 807 KAR 5:011, Section 8, is hereby denied. Reidland shall publish notification of its requested rate increase, pursuant to Exhibit S of its Second Amended Application, in accordance with the requirements of 807 KAR 5:011, Section 8. Reidland shall include in its notification the other alternative rate adjustments proposed in its application. Reidland shall file proof of said notification, by affidavit of newspaper publisher, within 40 days of the date of this Order.

2. Reidland's request for a deviation from the requirements of 807 KAR 5:011, Section 10 and Section 6, is hereby granted.

IT IS FURTHER ORDERED that Reidland shall file the original and seven copies of the following information with the Commission, with a copy to all parties of record, no later than July 24, 1991.

If the information cannot be provided by that date, a motion for an extension of time must be submitted stating the reason for the delay and the date by which the information will be furnished. Such motion will be considered by the Commission. Reidland shall furnish with each response the name of the witness who will be available for responding to questions concerning each item of information requested should a public hearing be required in this matter.

1. Provide a detailed analysis of the activity of both Surcharge #1 and Surcharge #2 from January 1990 through the present by month. Include a description of each deposit and withdrawal from the surcharge accounts and the current balance of each account.

2. Describe all projects to be funded from Surcharge #2. Specify the total cost of each project or the total financing required for each project. For any amounts disbursed from Surcharge #2 to date, provide supporting invoices and indicate with which project the expense is associated.

3. If funds from Surcharge #2 have been applied toward the construction proposed in this proceeding, state whether the amount to be borrowed from Kentucky Infrastructure Authority will decrease. If so, provide a revised loan commitment and credit analysis from KIA and an amortization schedule of the proposed debt.

4. Provide a billing analysis for the proposed test period of January-December 1990 and any billing register used in its completion.

5. Provide an estimate of annual revenue using the estimated number of customers who will be served and the proposed rate schedule, Exhibit S, in the second amended application filed.

6. With respect to the construction sought to be certificated in this proceeding, provide the final engineering report and the bid for the water lines necessary to connect the storage tank to the existing distribution system.

IT IS FURTHER ORDERED that Reidland shall appear at an informal conference to be held on July 30, 1991 at 1:30 p.m., Eastern Daylight Time, in Conference Room 2 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.

Done at Frankfort, Kentucky, this 17th day of July, 1991.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director