

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF PURCHASE PUBLIC)
SERVICE CORPORATION D/B/A CARDINAL GROUP)
FOR A RATE ADJUSTMENT PURSUANT TO THE) CASE NO. 95-081
ALTERNATIVE RATE FILING PROCEDURE FOR)
SMALL UTILITIES)

O R D E R

On March 2, 1995, Purchase Public Service Corporation d/b/a Cardinal Group ("Cardinal") filed an application for Commission approval of a proposed increase in its rates for sewer service pursuant to 807 KAR 5:076. The rates proposed by Cardinal for sewer service would generate additional annual revenues of \$30,611, an increase of 67.34 percent over normalized test-period revenues.

In June 1994, the Commission Staff conducted a field review of Cardinal's test-period financial records. Based upon this review, Commission Staff issued a report on May 17, 1995, recommending an increase of \$30,418 in Cardinal's annual operating revenues for sewer service.

By Order dated May 17, 1995, the Commission advised all parties, which included Cardinal and two intervenors,¹ that comments regarding the staff report or requests for a hearing or informal conference must be submitted no later than 15 days from the date of the Order. If no requests for a hearing or an informal

¹ Mrs. Clifford Harris and Mr. Robert E. French were granted intervention by Orders of the Commission on March 17, 1995.

conference were received, the case would be submitted for a decision.

While comments were received from both intervenors, neither requested a hearing or an informal conference. Comments were also received from a Mr. Tim Nuckolls, who stated that he had been authorized by the intervenors to act in good faith to protect their interests in this case. Mr. Nuckolls requested on behalf of both intervenors that an informal conference be held. As Mr. Nuckolls is neither a party in this proceeding nor an attorney representing a party in this proceeding, he was not entitled to make such a request. However, due to the intervenors good faith efforts and in the interest of fairness, by Order of the Commission of June 14, 1995, all parties were given an additional seven days to provide additional comments or to request a hearing or informal conference. No additional comments have been provided, nor has a hearing or informal conference been requested.

Cardinal operates four treatment plants: Draffenville, Holifield Heights, Golden Acres, and Blandville West. The intervenors in their original comments expressed concern that the cost of bringing the Draffenville treatment plant into compliance with the Natural Resources and Environmental Protection Cabinet Division of Water's regulations is being borne by the customers of Cardinal served by the other three plants.

The Draffenville treatment plant serves all twenty of Cardinal's commercial customers. During the test year reviewed by Commission Staff, these commercial customers paid a flat rate for

sewage service, regardless of actual usage. Under this method, \$7,176, or 15.8 percent of Cardinal's total revenue, was collected from the commercial customers. The staff report recommended that the commercial customers be charged a rate per residential equivalent. Under this method, the commercial customers are charged based on their actual usage. As a result of this change in rate design, the commercial customers will pay \$21,130, or 27.8 percent, of Cardinal's total revenue requirement. Due to this reallocation of revenue requirement, the cost of bringing the Draffenville treatment plant into compliance with the Division of Water's regulations is actually being recovered through Cardinal's customers served by that plant.

The Commission, after considering the evidence of record and being otherwise sufficiently advised, finds that:

1. The recommendations and findings contained in the Staff Report 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 Cardinal and will produce gross annual revenues of \$75,876. These rates will allow Cardinal sufficient revenues to meet its operating expenses, and provide for future equity growth, including provisions for servicing its debt.

IT IS THEREFORE ORDERED that:

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

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

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

Done at Frankfort, Kentucky, this 30th day of June, 1995.

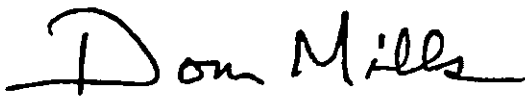
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 95-081 DATED 6/30/95

The following rates and charges are prescribed for the customers in the area served by Purchase Public Service Corporation, d/b/a Cardinal Group. 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.

CUSTOMER CLASSIFICATION

<u>Residential Customers</u>	\$29.95 per Month
<u>Commercial Customers</u>	29.95 Residential Equivalent*

*Commercial customers are billed at the residential rate for each residential equivalent, or 12,000 gallons. For example, a commercial customer who used 26,000 gallons would be billed at a rate of 2.17 times the residential rate.