

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF RIVER BLUFFS, INC. FOR)
AN ADJUSTMENT OF RATES PURSUANT TO THE) CASE NO. 95-365
ALTERNATIVE RATE FILING PROCEDURE)

O R D E R

On August 23, 1995, River Bluffs, Inc. ("River Bluffs") filed its application for Commission approval of proposed sewer rates. Its proposed rates would generate additional annual revenues of \$33,993, an increase of approximately 57 percent over reported test-period revenues from rates of \$59,632.

On June 16 and 22, 1995 and July 26, 1995, Commission Staff ("Staff") conducted a limited financial review of River Bluffs' test-period operations for the 1994 calendar year. On December 5, 1995, Staff issued its initial report recommending rates that would generate additional annual revenues of \$17,487, an increase of approximately 28 percent over normalized test-period revenues from rates of \$61,951. Staff also recommended that River Bluffs be granted a monthly surcharge to cover its annual short-term interest expense of \$4,563.

On November 22, 1995, the City of River Bluff ("the City"), an intervenor in this case, filed a motion with the Commission requesting a hearing. Thereafter, the City and River Bluffs requested an informal conference to discuss Staff's

recommendations. An informal conference was held on January 31, 1996 at the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.

On March 22, 1996, after considering the issues raised during the conference, Staff issued an Amended Staff Report. In the amended report, Staff recommended rates that would generate additional annual revenues of \$10,854, an increase of approximately 18 percent over the normalized test-period revenues from rates of \$61,951. Staff also amended its recommended monthly surcharge to include River Bluffs' monthly short-term interest and principal payment of approximately \$1,026.

On April 18, 1996, the City filed a letter with the Commission withdrawing its request for a hearing and requesting that this case be submitted as it stands to the Commission for a decision. There have been no other requests for a hearing.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The rates proposed by River Bluffs should be denied.
2. The recommendations and findings contained in the Staff Report, as amended on March 22, 1996, 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.

3. The rates in Appendix A, which is attached hereto and incorporated herein, are the fair, just, and reasonable rates for River Bluffs and will produce gross annual revenues of \$72,805 from sewer service rates. These rates and the surcharge, which is also in Appendix A, will allow River Bluffs sufficient revenues to meet its operating expenses and service its debt.

IT IS THEREFORE ORDERED that:

1. The rates proposed by River Bluffs are hereby denied.

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

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

4. River Bluffs is hereby granted a monthly surcharge to cover its short-term interest expense. The surcharge shall be in effect for a 60-month period or until the National City Bank loan is retired, whichever is shorter.

5. The proceeds from the surcharge shall be placed in a separate interest bearing account. Monthly transfers to the surcharge account shall be equal to the proceeds of the monthly surcharge contained in Appendix A and shall be transferred from River Bluffs' gross operating revenue prior to the revenue being disbursed for another purpose.

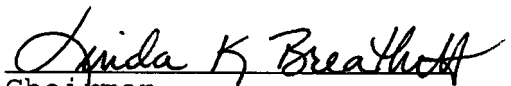
6. River Bluffs shall file with its Annual Report, an annual summary containing the following information: monthly surcharge billings and collections, the monthly bank statement, and loan payments from the account.

7. The surcharge constitutes contributions and shall, therefore, be accounted for in the manner prescribed by the Uniform System of Accounts for Class C Sewer Utilities. The monthly billing shall be debited to customer accounts receivables and credited to the 'contributions account. When the amount is collected, special funds shall be debited and customer accounts credited.

8. River Bluffs' failure to comply with any of the Commission's requirements pertaining to the surcharge shall result in revocation of the surcharge and refunding, with interest, all amounts collected.

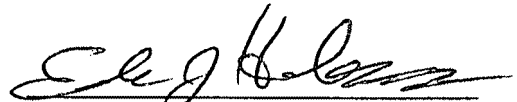
Done at Frankfort, Kentucky, this 9th day of May, 1996.

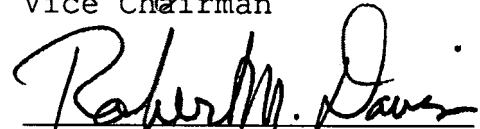
PUBLIC SERVICE COMMISSION


Chairman

ATTEST:


Executive Director


Vice Chairman


Commissioner

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 95-365 DATED MAY 9, 1996.

The following rates and charges are prescribed for the customers in the area served by River Bluffs, Inc. 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.

Monthly Rate	\$36.55
Monthly Surcharge Rate	6.18