

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF AIRVIEW ESTATES,)
INC. FOR A RATE ADJUSTMENT PURSUANT) CASE NO. 98-595
TO THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

ORDER

The Attorney General of the Commonwealth of Kentucky (Attorney General), by and through his Office of Rate Intervention, has filed written comments to the Staff Report and moved the Commission for a public hearing to compel answers to interrogatories submitted to the Applicant, Airview Estates, Inc. (Airview) on February 8, 1999. Based on the motion and being otherwise sufficiently advised, the Commission finds as follows:

Although this case concerns the reasonableness of Airview s proposed rates, the Attorney General has submitted several interrogatories to Airview that are directed toward quality of service; namely, questions 10, 11, 12, 13 and 19. The Kentucky Supreme Court s holding in South Central Bell v. Utility Regulatory Comm'n, Ky., 637 S.W.2d 649 (1982) precludes the Commission from considering quality of service in rendering its decision in this case. The Court stated:

The rate making process is to provide for the utility a reasonable profit on its operations so that its owners may achieve a return on their investment. Such matters are purely those of a financial nature. . . . [T]he quality of service is not germane to the normal, time-tested factors that go into the determination of a proper rate for the services rendered by a utility."

Id. at 653. Therefore, the Commission must focus exclusively on financial matters in determining a level of rates that will produce a fair, just and reasonable rate of return for the utility.

The Commission further finds that in order to facilitate resolution of this case, the Attorney General has withdrawn questions 6, 8, 9, 14 and 15 and expressed his intent to withdraw his motion for a public hearing upon timely receipt of Airview's responses to the interrogatories.

IT IS THEREFORE ORDERED that:

1. On or before June 1, 1999, Airview shall file answers to Interrogatories 1, 2, 3, 4, 5, 7, 16, 17, 18, and 20 submitted by the Attorney General on February 8, 1999.
2. A hearing shall be held in this matter on June 16, 1999 at 10:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.
3. Airview shall publish notice of said hearing pursuant to Commission Regulation 807 KAR 5:076, Section 6.

Done at Frankfort, Kentucky, this 14th day of May, 1999.

By the Commission

ATTEST:

Executive Director