

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

On November 13, 1998, Airview Estates, Inc. ( Airview ) filed an application pursuant to Administrative Regulation 807 KAR 5:076 for a proposed adjustment in its rates for sewer service. Airview determined its pro forma revenue requirement to be \$72,380, an increase over test-year revenues of 54.92 percent. The Attorney General of the Commonwealth of Kentucky ( Attorney General ) requested and was granted intervention in the case.

Commission staff performed a limited financial review of Airview s test-period operations<sup>1</sup> and issued a Staff Report on April 21, 1999. The Staff Report<sup>2</sup> recommended that Airview be authorized rates that would satisfy a revenue requirement of \$60,874, or a 30.29 percent increase over normalized test year revenues. By Order dated April 21, 1999, the parties were advised to file comments on the Staff Report or to request a hearing or an informal conference within 10 days of the date of the Order. The Attorney General, the only party to respond, filed written comments on April 30,

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<sup>1</sup> The test period for determining Airview s revenue requirement was calendar year 1997.

<sup>2</sup> The text of the Staff Report, page 1, erroneously reflects Staff s recommended revenue requirement to be \$57,367. However, the amount recommended by Staff, \$60,874, is correctly reflected in the Staff Report in Attachment C.

1999, expressing his disagreement with Commission Staff's recommendations with regard to the 15-year amortization of \$85,000 in expenses related to the dredging, dewatering, and removal of sludge. No comments have been filed by Airview with regard to the Attorney General's recommendation.

The Commission has considered the Attorney General's recommendation to amortize these expenses over a period of 20 years and finds that it is acceptable for rate-making purposes. As a result Staff's recommended amortization expense has been decreased by \$1,417, to a level of \$4,850.<sup>3</sup> This results in a revenue requirement of \$59,217.

#### Conclusion

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

1. The rates in Appendix A to this Order are the fair, just and reasonable rates for Airview and will produce gross annual revenues of \$59,217.
2. These rates will allow Airview sufficient revenues to meet its operating expenses.
3. The rates proposed by Airview will produce revenue in excess of that found reasonable herein and should be denied.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Airview in its application are denied.

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<sup>3</sup> Amortization Expense per Staff Report	\$ 6,267
Less: 15-year Amortization Expense	5,667
Add: 20-year Amortization Expense	<u>4,250</u>
Commission Adjusted Amortization Expense	<u>\$ 4,850</u>

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

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

Done at Frankfort, Kentucky, this 17<sup>th</sup> day of August, 1999.

By the Commission

ATTEST:

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Executive Director

APPENDIX A  
APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 98-595 DATED AUGUST 17, 1999

The following rates and charges are prescribed for the customers in the area served by Airview Estates, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Sewer Rates

Single Family Residential

\$23.96 per Month