

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HILLRIDGE FACILITIES, )  
INC. FOR AN ADJUSTMENT OF RATES ) CASE NO.  
PURSUANT TO THE ALTERNATIVE RATE ) 2001-062  
FILING PROCEDURE FOR SMALL UTILITIES )

ORDER

On November 26, 2001, Commission Staff issued a Staff Report containing its findings and recommendations relative to the rate increase requested by Hillridge Facilities, Inc. ("Hillridge"). Commission Staff has discovered an error in the Staff Report relative to the double-recovery of amortization expense, and has prepared the attached Amended Staff Report to correct this error. All parties should review the amended report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Amended Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 4<sup>th</sup> day of December, 2001.

By the Commission

ATTEST:

  
Executive Director

AMENDED STAFF REPORT

ON

HILLRIDGE FACILITIES, INC.

CASE NO. 2001-062

The recently-released Staff Report on Hillridge Facilities discussed legal fees paid by Hillridge relative to a dispute with the Metropolitan Sewer District. Staff found that the legal fees of \$10,498 were legitimate expenses to be recovered through rates, but Staff also found that these expenses should be amortized over three years because of the unusual and nonrecurring nature of this work. Relative to this issue, Staff stated the following:

“Therefore, Staff recommends that the five payments for legal fees in the amount of \$10,498 should be amortized over three years, resulting in an adjustment of \$6,999. Staff has also made a corresponding adjustment to increase amortization expense by \$3,499 to allow for a three-year recovery of these nonrecurring legal fees.”

This portion of the Staff Report was in error because it essentially allowed double recovery of \$3,499 in amortization expense. The proper treatment would be to make an adjustment of \$10,498 to remove the legal fees, while also making a corresponding adjustment to increase amortization expense by \$3,499 to allow for a three-year recovery. The purpose of this Amended Staff Report is to make this correction.

The result of this correction is that Outside Services Employed expenses, and Total Operating Expenses, are reduced by \$3,499, which reduces Total Operating Expenses from \$175,646 to \$172,147. After allowing for taxes, this adjustment reduces Hillridge's revenue requirement from \$205,308 to \$201,218, and it reduces Staff's

recommended rate from \$24.62 per month to \$24.13 per month, as shown in Attachment A.

Signatures

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Prepared by: Jack Kaninberg  
Financial Analyst, Water and Sewer  
Revenue Requirements Branch  
Division of Financial Analysis

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Prepared by: Sam Reid  
Rate Analyst, Communications, Water,  
and Sewer Rate Design Branch  
Division of Financial Analysis

ATTACHMENT A  
AMENDED STAFF REPORT CASE NO. 2001-062  
STAFF'S RECOMMENDED RATE

Monthly Sewer Rate

\$24.13 per month