

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 discovered an error in the Staff Report relative to the double-recovery of amortization expense, and filed an Amended Staff Report and Order on December 4, 2001, to correct that error. That Order provided for 10 days in which any party was to file comments or request a hearing or informal conference.

The Commission has granted intervention to over 150 ratepayers and the Attorney General, through his Rate Intervention Office, in this case. This volume has caused us to place the utility filing on our Web page for the convenience of the parties. As of December 14, 2001, only one intervenor has requested a hearing and/or an informal conference. We find a hearing should be scheduled in this case. However, the hearing is subject to cancellation based upon the response of the intervenors, James L. and Carol Whitledge. The Commission has received copies of correspondence between intervenors and the utility and has received comments on the Staff Report. The Commission has taken notice that all comments filed and correspondence received

involve, to some degree, the question of quality of service as provided by the utility and its effect upon the rate request.

The Commission wishes to stress to all parties that this is a rate case filed under the provisions of KRS 278.190, KRS 278.270 and 807 KAR 5:076. The purpose of the latter is to provide a small utility, such as Hillridge, a less expensive and streamlined procedure for a rate determination by the Commission.

The Commission, in determining the just and reasonable rate for a utility, is bound by the requirement that rates may not be affected by service issues. See South Central Bell Telephone Company v. Utility Regulatory Commission, Ky. 637 S.W.2d 649, (1982). In that case, the Commission, after setting a rate, lowered the utility's rate upon a finding that the utility had provided poor service to its customers. The Supreme Court of Kentucky ruled that the Commission could not consider poor service in a rate proceeding and restored the original rate. We quote from the South Central Bell case:

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.

In addition, we concur...that the 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.

\* \* \* \*

We are aware that public utilities, in many instances, give poor or less than adequate service. We are also aware that such action has properly been decried by our General Assembly. That selfsame General Assembly has provided two very quick and very effective remedies, at least one of which is purely punitive in nature, to remedy such situations.

We agree...that, absent legislation to the contrary, the question of rates should be kept separate from the question of service. (Emphasis added.) Id. at page 653-654.

The Commission will follow the law and keep the question of rates separate from issues of service in this case. Issues of service may be brought before the Commission by formal complaint, as provided in KRS 278.260. Questions concerning the rates proposed by the utility in a rate proceeding must be financial in nature, rather than the quality of service the utility is providing.

IT IS THEREFORE ORDERED that:

1. Intervenor's requests for information to Hillridge, if any, shall be filed no later than January 7, 2002.
2. Hillridge shall file responses to any filed requests for information no later than January 15, 2002.
3. A formal hearing is scheduled for January 31, 2002, at 9:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky.
4. Intervenors, James L. and Carol Whitley, shall state the issues they believe necessary to be heard and a list of the witnesses they will present, with a brief summary of their respective testimonies, by filing same, with a copy to all parties, on or before January 22, 2002.
5. If no witness list or summary of testimony that is germane to the issue of rates is filed by January 22, 2002, the formal hearing shall be cancelled and the case shall stand submitted to the Commission for a decision upon the existing record.

Done at Frankfort, Kentucky, this 21<sup>st</sup> day of December, 2001.

By the Commission

ATTEST:

  
Executive Director