

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---------------------------------------|---|---------------------|
| THE APPLICATION OF SHADOW WOOD |) | |
| SUBDIVISION SEWER SERVICE, A JOINT |) | |
| VENTURE OF FOURTH AVENUE CORPORATION |) | |
| AND LONG CORPORATION D/B/A SHADOW |) | CASE NO. 2001-00423 |
| WOOD SUBDIVISION SEWER SERVICE FOR AN |) | |
| ADJUSTMENT OF RATES PURSUANT TO THE |) | |
| ALTERNATIVE RATE FILING PROCEDURE FOR |) | |
| SMALL UTILITIES |) | |

ORDER

Shadow Wood Subdivision Sewer Service (Shadow Wood) has applied for authority to adjust its current monthly rate to \$50.40 per residential equivalent, to assess a one-time charge of \$58,962.95 to The Harbor at Harrods Creek Condominium Association (The Harbor), and to assess The Harbor a monthly surcharge of \$2,083.33 for one year. By this Order, we authorize Shadow Wood to adjust its monthly rate to \$21.71 per residential equivalent and to assess a monthly surcharge to all customers to collect \$48,103 in extraordinary litigation expenses.

COMMENTARY

Shadow Wood is a joint venture of Fourth Avenue Corporation and Long Corporation.¹ It owns and operates subdivision sewage collection and treatment

¹ Fourth Avenue Corporation and Long Corporation are incorporated under the laws of Kentucky.

facilities that provide service to customers in Jefferson County, Kentucky.² It is a utility subject to Commission jurisdiction. KRS 278.010(3)(f); KRS 278.040.

PROCEDURE

On December 3, 2001, Shadow Wood applied to the Commission for a rate adjustment and for authority to assess certain surcharges. Shadow Wood made its application pursuant to the Alternative Rate Filing Procedure for Small Utilities. See Administrative Regulation 807 KAR 5:076. The Commission subsequently granted the following persons leave to intervene in this proceeding: The Harbor, Harbortown Condominium Association, Sally Ann Green, and the Attorney General of Kentucky.

On February 25, 2002, the Commission established a procedural schedule in this matter. Under the provisions of our Order, we directed Commission Staff to prepare a report of its findings and recommendations regarding Shadow Wood's application and directed all parties to submit comments and objections to the report's findings. Pursuant to the terms of the Order of February 25, 2002, a party's failure to object to any finding was deemed to be an admission of agreement with that finding.

On April 1, 2002, Commission Staff submitted a report of its findings and recommendations to the Commission.³ In its report, it recommended that Shadow Wood be authorized to assess a monthly rate of \$21.23 to its residential customers and a monthly rate of \$21.23 per residential equivalent to its commercial customers.

On April 15, 2002, Shadow Wood filed objections to Commission Staff's findings related to the following issues: (1) Administrative Salary; (2) Bookkeeping Expenses;

² Annual Report of Shadow Wood Subdivision Sewer Service to the Public Service Commission for the Year Ended December 31, 2001 at 8.

³ A copy of this report is found at Appendix B to this Order.

(3) Contribution to Connection Reserve; (4) Contribution to Equipment Replacement; (5) Depreciation Expense; (6) Requested Surcharges; and (7) Residential Equivalent Billings. Neither Shadow Wood nor any other party filed other objections to the Commission Staff's findings.

On May 23, 2002, the Commission held a public hearing on the issues for which objections had been filed. All parties, with the exception of Ms. Greenfield, appeared through counsel. At the hearing, the following persons testified: Scott Lawless and Sam Reid, Commission Staff members; Christopher Green, a certified public accountant; and Clay Long, President, Fourth Avenue Corp. and Long Corp. Pursuant to the terms of our Order of February 25, 2002, only issues upon which the Commission heard evidence related to objections to Commission Staff's findings.

DISCUSSION

As the parties have agreed generally with Commission Staff's findings regarding Shadow Wood's operations and rate proposals and as we generally find Commission Staff's findings to be supported by the evidence of record, we shall address only the areas of disagreement in this Order.

Administrative Salary

Shadow Wood initially requested recovery of administrative salary expense of \$30,000, but subsequently amended its request to \$26,000.⁴ Commission Staff found that Shadow Wood's rates should be based upon an annual administrative salary expense of \$3,600.⁵ Shadow Wood objects to this finding.

⁴ Prefiled Testimony of Clay Long at 2.

⁵ Commission Staff Report at 2 - 3.

Shadow Wood asserts that the recommended level is not adequate compensation when the actual duties of Shadow Wood's administrator are considered. Mr. Long testified that he is required to devote considerable time during the review period to deal with the Cabinet of Natural Resources and Environmental Protection, to negotiate with the Louisville-Jefferson County Metropolitan Sewer District over the possible sale of Shadow Wood's facilities, and to oversee litigation with The Harbor. Shadow Wood submitted salary surveys to support its requested level of administrative salaries.

Our review of the record fails to support Shadow Wood's requested expense level. Commission Staff's proposed rates already contain provisions for the recovery of expenses related to maintenance, bookkeeping, billing, and collection services. Once these duties are removed, the remaining duties that a manager must normally perform do not appear to warrant full-time employment or to entail the level of salary that Shadow Wood requests. We also note that provisions have also been made for the extraordinary expenses associated with Shadow Wood's litigation with The Harbor and that such litigation is unusual, does not normally occur, and is not expected to recur during a normal year of operations. As to any negotiations for the sale of Shadow Wood's facilities, that matter solely concerns and benefits Shadow Wood's owners. Any expense associated with those negotiations is appropriately borne by those owners.

Commission Staff's proposed expense level of \$3,600 is consistent with the level of expense awarded for other small, privately owned sewer treatment utilities. While an owner/manager is responsible for overseeing the daily operations of the system and monitoring the ongoing litigation, for a small sewer system such as Shadow Wood that does not constitute full-time employment. Shadow Wood has not presented any

convincing evidence to suggest that its operations differ significantly from those of others to require greater administrative oversight and a larger administrative salary. We find that the proposed expense level will provide reasonable and adequate compensation for all appropriate duties that Shadow Wood's management performs during a normal year of operations.

Bookkeeping Expense

Shadow Wood proposes in its application to set pro forma bookkeeping fees at \$6,000. Finding that Shadow Wood had not presented sufficient evidence to determine the reasonableness of the proposed adjustment, Commission Staff recommended that Shadow Wood be permitted to recover bookkeeping expense of \$1,200. This recommendation was based upon Commission Staff's estimate that a bookkeeper would perform 120 hours of bookkeeping functions for Shadow Wood during a normal year of operations and that an appropriate wage for a bookkeeper would be \$10 per hour.⁶ Shadow Wood objects to the Commission Staff finding. In support of its proposed adjustment, it submitted a summary of the charges that the accounting firm of Buetow, LeMastus & Dick, PLLC assessed the utility for accounting services.

The Commission finds that Shadow Wood should be permitted to recover the reasonable cost of its bookkeeping services. The evidence of record fails to support the proposed adjustment of \$6,000. Shadow Wood has presented conflicting and inconsistent accounts of its bookkeeping expense. These accounts fail to establish clearly the purpose of payments to its accountant and the reasonableness of those payments.

⁶ Commission Staff Report at 3 - 4.

We further find that the evidence of record supports Commission Staff's recommendation of \$1,200. Agreeing with Commission Staff's estimate of the number of hours for bookkeeping services, Mr. Green testified if Shadow Wood actually hired a bookkeeper to do [the bookkeeping], it would probably be ten hours a month that they [sic] would have to spend.⁷ Commission Staff's estimate, moreover, is based upon its discussion with Mr. Long and the person who previously performed bookkeeping services for Shadow Wood.⁸ While Mr. Green estimated that an appropriate rate for bookkeeping services would be \$29 per hour, he acknowledged that the work in question did not require a great deal of expertise and that he was uncertain of present market rates for such services.⁹ In contrast, Commission Staff's recommended rate of \$10 per hour is consistent with rates permitted for bookkeeping services provided to other similarly sized utilities within the general region.¹⁰

The Commission further finds that Shadow Wood should be permitted to recover the cost of accounting services necessary to complete and file regulatory reports and prepare tax information reports. Shadow Wood estimated the pro forma amount for preparation of the PSC report at \$1,500. We find that this amount is adequate to cover the cost of preparation of Shadow Wood's annual report and Shadow Wood's property tax returns. Furthermore, this amount is in line with allowances afforded other similarly situated utilities for accounting services.

⁷ Transcript at 32.

⁸ Commission Staff Report at 3 - 4.

⁹ Transcript at 32 - 33.

¹⁰ See, e.g., P.R. Waste Management, Inc., Case No. 99-331 (Ky. PSC May 18, 2000).

Contribution to Connection Reserve

Shadow Wood's current Kentucky Pollutant Discharge Elimination System Permit requires the utility to connect to a regional collection facility when one is located within one mile. Shadow Wood proposes to recover the cost of this connection, which it estimates to be \$135,000, by amortizing the cost over a 5-year period and increasing its revenue requirements by \$27,000. Arguing that the proposed costs are not known and measurable and therefore not appropriate for recovery, Commission Staff recommends that the proposal be denied. Shadow Wood objects to this recommendation.

We find that the proposed contribution should be denied. The proposed adjustment is neither known nor measurable. The record contains no credible evidence to suggest that a connection with the Louisville-Jefferson County Metropolitan Sewer District will be made within the next 5 years. It also contains no credible evidence to support the proposed costs of the connection. Assuming arguendo that Shadow Wood had presented such evidence, we find no basis to allocate this cost immediately to Shadow Wood's customers. Proper recovery of the cost of such connection should occur through depreciation expense after the connection is constructed and placed into service.

Contribution to Equipment Replacement

Shadow Wood proposes to increase test year expenses by \$3,875.85 or 5 percent of reported test year revenues to fund ongoing plant and equipment replacement needs. Finding that it is not known or measurable, Commission Staff recommends denial of the proposed expense. As Shadow Wood has provided no evidence to demonstrate that the expense occurred during the test period or was likely

to occur in the future, the Commission agrees with Commission Staff's findings on this expense: it is not known and measurable.

Depreciation Expense

Shadow Wood reports test year depreciation expense of \$8,434 for system improvements that were constructed in 1992. In its report, Commission Staff recommends disallowance of this expense because the cost of the improvements had been recovered through property development. Shadow Wood objects to the recommendation. In support of its objection, Shadow Wood asserts that the cost of these improvements has not been previously recovered through its rates and its recording of the depreciation expense has never been questioned.

Our review of the record indicates that recovery of depreciation expense on the system improvements is not appropriate. Fourth Avenue Corp. constructed the improvements in 1992 to expand its real estate development. In those areas where facilities were constructed and outside parties developed the real estate, Fourth Avenue Corp. assessed those developers a separate fee for access to Shadow Wood's sewer collection and treatment facilities. Clearly Fourth Avenue Corp. constructed these facilities to benefit its own real estate interests and intended to recover any costs associated with the 1992 construction through its development activities. The facilities

should be considered as contributed property.¹¹ The recovery through rates of depreciation expenses on such property is not reasonable or appropriate.¹²

¹¹ Upon completion of the improvements and their connection to Shadow Wood's sewer system, Shadow Wood should have recorded its acceptance of the improvements by debiting the amount of the improvements original cost and crediting contributions in aid of construction for an equal amount. We discussed this accounting methodology when we approved the initial construction of Shadow Wood's sewer system. See Fourth Avenue Corp.-Long Corp., Case No. 7647 (Ky. PSC Aug. 29, 1980) at 4.

¹² The Commission has previously explained why recovery of depreciation on contributed property is not appropriate:

The value of contributed property in currently operating water and sewage utilities . . . is frequently more than the value of investor financed property. Further, it is common practice for a builder or developer to construct water and sewage facilities that add to the value and salability of his subdivision lots and to expense this investment cost in the sale price of these lots or, as an alternative, to donate these facilities to a utility company.

It is also recognized that many residential and commercial developments in metropolitan areas are served by privately-owned sewage systems. Further, that federal guidelines will require the incorporation of these sewage systems into a regional comprehensive sewer district at such time as connecting trunk lines are made available. Further, that to permit the accumulation of a depreciation reserve on contributed property that is to be abandoned would not, in our opinion, be in the public interest.

A-1 Builders, Inc., Case No. 7373 (Ky. PSC Sept. 4, 1979) at 3. See also Princess Anne Utilities Corp. v. Virginia, 179 S.E.2d 714 (Va. 1971).

Requested Surcharges

Shadow Wood requests authority to assess a one-time charge of \$58,962.95¹³ to The Harbor to recover litigation costs in a recent proceeding before the Commission in which The Harbor contested Shadow Wood's billing methods.¹⁴ In its report, Commission Staff recommended that Shadow Wood be permitted to recover \$48,103¹⁵ of these expenses through a surcharge assessed to all Shadow Wood customers. Commission Staff further recommended that the surcharge recover these expenses and interest over a 5-year period. Shadow Wood objects to the reduction in the level of expenses that will be recovered through the surcharge and the time period over which the recovery will occur.

Shadow Wood's request is a request for attorney fees and costs from The Harbor. This Commission lacks the legal authority to assess such costs. Rose Wycomb Corp. v. West Oldham Utilities, Inc., Case No. 92-443 (Ky. PSC June 7, 1993). See also Toll and Access Price Charging, Case No. 8838 at 6 (Ky. PSC Jan. 14, 1987)

| | | |
|--------------------------|--------------|-----------------|
| ¹³ Legal Fees | | \$47,557 |
| Miscellaneous | | 276 |
| Expert Witness Fees: | | |
| Putney Architecture | \$1,500 | |
| Lexus Utilities, Inc. | 700 | |
| Remax Properties | <u>3,000</u> | 5,200 |
| Drafting Fees | | <u>5,930</u> |
| Total | | <u>\$58,963</u> |

¹⁴ The Harbor at Harrods Creek Condominium Association v. Fourth Avenue Corp.-Long Corp. d/b/a Shadow Wood Sewer Service, Case No. 2000-00379 (Ky. PSC filed July 28, 2000).

| | | |
|---------------------|--|-----------------|
| ¹⁵ Legal | | \$43,089 |
| Miscellaneous | | 276 |
| Drafting | | <u>4,738</u> |
| Total | | <u>\$48,103</u> |

("[T]he costs and attorney fees associated with participating in a case before the Commission should be borne by each party to the extent that each party incurs costs and attorney fees.") Accordingly, its request for a surcharge solely upon The Harbor for costs must be denied.

While we lack the authority to award costs or attorney fees, the Commission is required to establish rates that permit a utility to recover reasonable costs incurred to successfully defend its existing utility rates. West Ohio Gas Co. v. Pub. Utilities Comm'n, 294 U.S. 63, 74 (1935). Commission Staff's proposed surcharge is reasonable and appropriate to permit recovery of Shadow Wood's litigation expenses. It permits the utility to recover its reasonable costs. By terminating upon collection of the full amount of reasonable costs, it ensures that the utility collects only its reasonable costs. We find that a 5-year period is the most appropriate period over which to recover these costs.

Commission Staff proposes that Shadow Wood bill every customer a monthly surcharge of \$3.39.¹⁶ For purposes of this assessment, Commission Staff proposes that each residential unit composing The Harbor and Harbortown Condominium Association be treated as an individual customer. Under this method, The Harbor and the Harbortown Condominium Association are effectively billed a monthly surcharge of \$569.52 and \$81.36. Other customers who are billed at residential equivalents exceeding one residential equivalent unit, such as Captain's Quarter Restaurant and the Harbor Town Activity Center, are billed as a single customer. The Commission finds that all users benefit equally from the expense and that Commission Staff's proposed methodology for billing the surcharge should be accepted.

Shadow Wood objects to the exclusion of expert witness fees, and of certain portions of attorney fees and drafting fees from the surcharge calculation. We find no merit in its objections. The exclusion of these fees is directly related to the utility's inability to demonstrate that these expenses were in fact incurred in its litigation in Case No. 2000-00379 and that such expenses were reasonable. In the case of the excluded drafting fees, the Commission finds that the utility failed to demonstrate that Mr. Long's

¹⁶ This amount assumes that the surcharge is collected over a 5-year period and that Shadow Wood's monthly sales remain constant at 262 residential equivalents. Commission Staff has also recommended that the utility be permitted to recover 4 percent interest on the outstanding balance. As the amortized expense would be considered in determining the return on investment component of Shadow Wood's revenue requirement if the expense were recovered through the utility's rate for service, we find the inclusion of interest in determining the total surcharge amount to be appropriate. Assuming that the surcharge is collected over a 5-year period, that Shadow Wood's monthly sales remain constant at 262 residential equivalents, and that 4 percent interest per annum is assessed on the outstanding litigation expenses, the total amount collected through the surcharge will be \$53,291.

efforts were separate and distinct from his duties as utility manager for which he is already compensated through the management fee.

Shadow Wood also requests authority to assess a monthly surcharge of \$12.33 per member of The Harbor to be assessed for 12 months to cover expected litigation costs resulting from its present litigation with The Harbor. We deny this request. As noted above, the Commission lacks the legal authority to award costs against a party to a Commission proceeding. Even if we possessed such authority, Shadow Wood has failed to present any credible evidence to suggest that such costs will actually occur.

Residential Equivalent Billings

Shadow Wood objects to certain of Commission Staff's allocations of residential equivalent units. In its report, Commission Staff allocated 15 residential equivalent units¹⁷ to the Harbor Town Activity Center. This allocation is based upon the water usage records of Louisville Water Company, the Harbor Town Activity Center's water supplier. Shadow Wood asserts, without any supporting evidence, that the activity center should be assessed only for 2 residential equivalent units. When calculating residential equivalents for wastewater amounts, the Commission believes that actual water usage should be used. Staff's allocation is therefore the most reasonable and

¹⁷ Commission Staff defines residential equivalent unit as 12,000 gallons of wastewater per month. To determine the number of residential equivalent units that a customer would be assessed, the utility divides the customer's monthly water consumption by 12,000 gallons.

should be used as the basis for determining the activity center's sewer charges.¹⁸

Based upon these modifications, the Commission finds that Shadow Wood provides service to 296 residential equivalent units.

Summary

Based upon our review of the evidence, we find that Shadow Wood's adjusted test period operations are:

¹⁸ When actual usage is not indicative of sewage service, a reasonable estimate may be used to calculate the residential equivalent units of a customer. In the case of Captain's Quarters Marina, the customer's water usage does not provide a reliable indication of sewage use. Under these circumstances, Shadow Wood and Commission Staff recommended allocating one residential equivalent to that customer. We agree with this recommendation.

| | Test Year | Adjustments | Pro forma |
|---------------------------------------|-----------------|-----------------|---------------|
| Operating Revenues | | | |
| Sewer Service Revenues | 75,717 | | 75,717 |
| Total Operating Revenue | <u>75,717</u> | <u>-</u> | <u>75,717</u> |
| Operating Expenses | | | |
| Operation and Maintenance | | | |
| Administrative Salary | 49,313 | (45,713) | 3,600 |
| Bookkeeping | | 2,700 | 2,700 |
| Rent | | 1,863 | 1,863 |
| Telephone | | 1,320 | 1,320 |
| Utilities | | 428 | 428 |
| Other Expenses | 1,411 | | 1,411 |
| Labor and Expense | 8,948 | | 8,948 |
| Fuel and Power | 14,962 | (172) | 14,790 |
| Chemicals | 251 | | 251 |
| Maintenance of Plant | 35,449 | (9,583) | |
| | | (2,000) | 23,866 |
| Insurance Expense | 767 | (375) | |
| | | 800 | 1,192 |
| Miscellaneous | <u>6,143</u> | <u>(5,292)</u> | <u>851</u> |
| Total Operation and Maintenance | 117,244 | (56,024) | 61,220 |
| Depreciation | 13,248 | (13,248) | |
| | | 4,540 | 4,540 |
| Contribution to Connection Reserve | | - | - |
| Contribution to Equipment Replacement | | - | - |
| Taxes Other Than Income | 3,315 | (1,246) | 2,069 |
| Total Operating Expenses | <u>133,807</u> | <u>(65,978)</u> | <u>67,829</u> |
| Net Operating Income | <u>(58,090)</u> | <u>65,978</u> | <u>7,888</u> |

The Commission has historically used an operating ratio approach¹⁹ to determine revenue requirements for small, privately-owned utilities.²⁰ This approach is used because no basis for rate-of-return determination exists or the cost of the utility has fully

¹⁹ Operating Ratio is defined as the ratio of expenses, including depreciation and taxes, to gross revenues.

$$\text{Operating Ratio} = \frac{\text{Operating Expenses} + \text{Depreciation} + \text{Taxes Other Than Income Taxes}}{\text{Gross Revenues}}$$

²⁰ See, e.g., McKnight Utilities Co., Case No. 7553 (Ky. P.S.C. Nov. 13, 1979).

or largely been recovered through the receipt of contributions. The Commission finds that this method should be used to determine Shadow Wood's revenue requirements. The Commission finds that an operating ratio of 88 percent would allow Shadow Wood sufficient revenues to cover its reasonable operating expenses and to provide for reasonable equity growth. An operating ratio of 88 percent results in a revenue requirement of \$77,078.41. Applying the revenue requirement over 296 residential equivalent units produces a monthly rate of \$21.71 per residential equivalent unit.²¹

SUMMARY

After review of the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Shadow Wood's adjusted test year revenues are \$75,717.
2. Shadow Wood's adjusted test year operating expenses are \$67,829.
3. An operating ratio of 88 percent will provide Shadow Wood with sufficient revenues to cover its reasonable operating expenses and to provide for reasonable equity growth.
4. Based on an operating ratio of 88 percent and Shadow Wood's adjusted test period revenues and expenses, Shadow Wood should be permitted to earn revenues of \$77,078.41.
5. The rates in Appendix A are the fair, just and reasonable rates for Shadow Wood and will produce annual revenues of \$77,078.41 based on adjusted test-year revenues.
6. Shadow Wood's proposed rates will produce revenue in excess of that found reasonable and should be denied.

²¹ \$21.71 per REU per month = \$77,078.41 ÷ (12 months x 296 REU).

7. Shadow Wood should be authorized to assess a surcharge to recover its reasonable litigation expenses incurred in defending its rates in Case No. 2000-00379.

IT IS THEREFORE ORDERED that:

1. The findings contained in the Commission Staff Report, except as expressly noted in this Order, are adopted as the Commission's findings and incorporated by reference into this Order.

2. Shadow Wood's proposed rates are denied.

3. The rates set forth in Appendix A of this Order are approved for sewer service that Shadow Wood renders on and after the date of this Order.

4. Shadow Wood is authorized, subject to the conditions set forth in Ordering Paragraphs 5 through 7, to assess a monthly surcharge of \$3.39 to each customer for a period of 5 years or until Shadow Wood has billed \$48,103 plus interest of 4 percent per annum, whichever occurs first. For purposes of this Order, customer shall mean each residential equivalent unit of a multi-residential building or structure. For purposes of determining the total amount of surcharge proceeds that may be collected, interest shall begin to run from the date of this Order.

5. Within 20 days of the date of this Order, Shadow Wood shall establish a separate cash bank account for the collection and deposit of surcharge proceeds.

6. Beginning on January 31, 2003, and every 3 months thereafter, Shadow Wood shall file with the Commission all statements for the surcharge account and a report that details the number of surcharges collected and deposited for the previous quarter, the cumulative total of surcharges collected for the reporting quarter and all previous quarters, and a detailed description of all withdrawals from the account. The reports shall list each Shadow Wood customer by name and account number and state

all paid and unpaid balances of surcharge billings. The first report filed shall address the period from the date of this Order to December 31, 2002.

7. Failure to strictly comply with the provisions of Ordering Paragraphs 5 and 6 shall result in revocation of Shadow Wood's authorization to assess the monthly surcharge. Revocation of the surcharge shall be self-executing and shall not require an additional Order of the Commission.

8. Within 20 days of the date of this Order, Shadow Wood shall file with the Commission revised tariff sheets setting forth the rates approved herein.

Done at Frankfort, Kentucky, this 6th day of September, 2002.
By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2001-00423 DATED September 6, 2002

The following rates and charges are prescribed for the customers in the area served by Shadow Wood Subdivision Sewer Service. 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.

| | |
|-------------|---|
| Residential | \$21.71 per month |
| Commercial | \$21.71 per month per residential equivalent unit |

The Harbor at Harrods Creek Condominium Association is deemed to constitute 169 residential customers. Harbortown Condominium Association is deemed to constitute 24 customers.

| | |
|-------------------|---------------------|
| Monthly surcharge | \$3.39 per customer |
|-------------------|---------------------|

The monthly surcharge shall be billed for a period of 5 years or until Shadow Wood has billed \$48,103 plus interest of 4 percent per annum, whichever occurs first.

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2001-00423 DATED September 6, 2002

Appendix is in a separate document. -- 200100423_090602_appx.pdf

