

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF THE)	CASE NO.
SOUTH SHORE WATER WORKS CO.)	2002-00108

ORDER

On March 29, 2002, South Shore Water Works Co. (South Shore) filed an application for Commission approval to increase its rates for service to produce additional annual revenue of \$121,631, an increase of 25.62 percent.

By Order dated August 2, 2002, the Commission released a Report that Commission Staff prepared upon review of South Shore s test year operations. In its report Commission Staff recommended that South Shore be allowed to increase annual revenues by \$30,996 or 6.53 percent. In our Order of August 2, 2002, we further directed all parties to file comment on the Staff Report or request a hearing or informal conference within 10 days of the date of the Order or the case would stand submitted.

South Shore requested an informal conference, which was held on August 21, 2002. During and subsequent to the conference, South Shore filed additional information regarding certain areas of the Staff Report. Upon receiving and reviewing the supplemental information, Staff issued on September 16, 2002 an amended Staff Report in which it recommended that South Shore be allowed to increase revenues by \$44,496. The Commission granted the parties 10 days to file written comments regarding the Amended Staff Report.

The Commission received South Shore s comments on September 20, 2002. South Shore accepted the findings and recommendations of the amended report with

one exception.¹ South Shore submitted additional legal invoices for rate case fees and fees related to Case No. 2002-00003,² for which it requested recovery through its rates.

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

1. South Shore has incurred additional legal fees in the amount of \$7,931 that should be reflected in pro forma operations through a 3-year amortization.

2. South Shore's pro forma operating expenses as stated in the Amended Staff Report should be increased by \$2,644 ($\$7,931/3$ years) to reflect the 3-year amortization of the additional legal fees.

3. The inclusion of the additional legal amortization expense of \$2,644 increases the revenue increase as stated in the Amended Staff Report of \$44,496 to \$47,650.

4. The recommendations and findings contained in the Amended Staff Report, as adjusted to include the additional legal fee amortization of \$2,644, are supported by the evidence of record, are reasonable, and should be adopted as the findings of the Commission.

5. The rates set forth in Appendix A will produce annual water revenue of \$522,329 ($\$474,679$ normalized revenue at present rates + \$47,650 required increase) and should be approved as the fair, just, and reasonable rates for South Shore.

¹ South Shore accepted the findings and recommendations contained in the Amended Staff Report solely for the purpose of resolving this proceeding without hearing and stated that its acceptance should not be construed as general acceptance of those findings outside this proceeding.

² Case No. 2002-00003, South Shore Water Works Co. v. City of Greenup, Kentucky.

6. The rates that South Shore proposed in its application will produce revenues in excess of that found reasonable herein and should be denied.

IT IS THEREFORE ORDERED that:

1. The rates proposed by South Shore are denied.
2. The findings contained in the Amended Staff Report, as adjusted to include the additional legal amortization expense of \$2,644, are adopted and incorporated by reference into this Order as if fully set out herein.
3. The rates set forth in Appendix A are approved for service rendered by South Shore on and after the date of this Order.
4. Three years from the effective date of this Order, South Shore shall file an income statement along with any pro forma adjustments in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.
5. Within 30 days of the date of this Order, South Shore shall file with the Commission its revised tariff setting out the rates approved herein.

Done at Frankfort, Kentucky, this 27th 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. 2002-00108 DATED September, 27, 2002

The following rates and charges are prescribed for the customers in the area served by South Shore Water Works Co. 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.

Monthly Water Rates

First	1,000 gallons	\$ 7.76	Minimum bill
Next	9,000 gallons	3.01	per 1,000 gallons
Over	10,000 gallons	2.11	per 1,000 gallons

Fire Protection Rates

Hydrant Charge	9.12
Fire Line Charge	9.12