

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CLIFFVIEW )  
DEVELOPMENT, LLC FOR APPROVAL ) CASE NO. 2002-00300  
OF INITIAL RATES )

O R D E R

On July 31, 2002, Cliffview Development, LLC ( Cliffview ) filed an application with the Commission to establish initial water rates. Cliffview owns a resort development that is located in Wolfe and Lee counties, and purchases water from the city of Campton at a rate of \$4.94 per 1,000 gallons for resale to Cliffview s customers. The majority of Cliffview s customers use their resort properties as vacation homes, and therefore their usage is minimal. For this reason, Cliffview proposes a rate design that includes a monthly service charge to recoup its fixed operating costs, as well as a monthly usage rate for actual water use.

TEST PERIOD

Since Cliffview s water operations are new, test-period financial information does not exist. Estimated *pro forma* expenses have been utilized for the determination of Cliffview s revenue requirement.

PROJECTED REVENUES AND EXPENSES

Cliffview projected operating expenses on the basis of providing water service to 54 customers. The Commission is of the opinion that the projected operating expenses are generally proper.

## REVENUE REQUIREMENT

Cliffview's requested water rates are based on its projected operating expenses and do not include depreciation expense or a surplus to allow for equity growth. In start-up water operations, it is difficult to estimate or project operating revenues and expenses until the system has actual operating results for 12 months. Therefore, the Commission has granted the rates requested by Cliffview but advises that Cliffview should review its financial position after 12 months of operations. Should Cliffview deem it necessary to make adjustments, it should apply to the Commission for authority to do so.

In addition, the Commission is concerned that the wholesale rate of \$4.94 per 1,000 gallons that Cliffview pays to the city of Campton is high when compared to statewide rates, as well as the wholesale rate of \$1.98 per 1,000 gallons that Campton charges to the Morgan County Water District. Cliffview has expressed interest in having Campton acquire its water system, but if that acquisition does not occur, Cliffview should file a status report with the Commission discussing its efforts to negotiate a reduced wholesale rate.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Cliffview currently provides water service to 54 customers.
2. Cliffview has provided proper and adequate justification for the proposed rates for water service.
3. The proposed rates for water service are fair, just, and reasonable.

4. Cliffview should file a status report with the Commission, within 6 months of the date of this Order, discussing its efforts to negotiate a reduced wholesale rate.

IT IS THEREFORE ORDERED that:

1. The water rates proposed by Cliffview, attached as Appendix A, are hereby approved for services rendered on and after the date of this Order.

2. Within 20 days from the date of this Order, Cliffview shall file a tariff with the proper effective date.

3. Within 6 months from the date of this Order, Cliffview shall file a status report discussing its efforts to negotiate a reduced wholesale rate.

Done at Frankfort, Kentucky, this 18<sup>th</sup> day of November, 2002.

By the Commission

ATTEST:

  
Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2002-00300 DATED November 18, 2002

The following rates and charges are prescribed for the customers in the area served by Cliffview Development, LLC. 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 date of this Order.

#### Monthly Usage Rates

All Usage	\$5.43 per 1,000 gallons
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#### Monthly Customer Charge

5/8 Inch Connection	\$13.31 Minimum Bill
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