



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
[www.psc.state.ky.us](http://www.psc.state.ky.us)  
(502) 564-3940

October 23, 1998

Mr. David Paige  
Green River Valley Water District  
P.O. Box 399  
Cave City, Kentucky 42127-0399

Dear Mr. Paige:

Commission Staff acknowledges receipt of your letter of September 11, 1998, concerning Green River Valley Water District's proposed water line construction fund.

Your letter states the following facts: Green River Valley Water District ("Green River Valley") is considering the creation of a construction fund for water main extensions. As currently proposed, Green River Valley would annually contribute a certain sum to this fund. It would use this fund to finance water main extensions to customers meeting certain eligibility requirements. Funds would be expended on a "first come, first served" basis.

Your letter raises the following issue: Is Commission approval of the proposed fund required?

Based upon its review of Commission regulations and Green River Valley's filed tariff, Commission Staff concludes that Green River Valley's proposal would require Commission approval and several revisions to the utility's filed tariff.

Currently Green River must extend its water mains up to 50 feet without charge. Administrative Regulation 807 KAR 5:066, Section 11 provides:

- (1) An extension of fifty (50) feet or less shall be made by a utility to its existing distribution main without charge for a prospective customer who shall apply for and contract to use service for one (1) year or more.
- (2) When an extension of the utility's main to serve an applicant or group of applicants amounts to more than fifty (50) feet per applicant, the utility may if not inconsistent with its filed tariff require the total cost of the excessive footage over fifty (50) feet per customer to be deposited with the utility by the applicant or the applicants, based on the average estimated cost per foot of the total extension.

Mr. David Paige  
October 23, 1998  
Page 2 of 2

Reflecting this requirement, Green River Valley's filed rate schedule states that "The District shall install the first fifty feet (50') of main for each customer on each water line and the customer shall pay the remainder of any cost for any other extension of the water line." Green River Valley Water District Tariff, P.S.C. Ky. No. 2, Original Sheet No. 6.

Commission regulations do not prohibit different extension arrangements such as that proposed in your letter. Commission approval of these different arrangements, however, is required. Administrative Regulation 807 KAR 5:0066, Section 11, provides:

(4) Nothing contained herein shall be construed to prohibit the utility from making extensions under different arrangements if such arrangements have received the prior approval of the commission.

(5) Nothing contained herein shall prohibit a utility from making at its expense greater extensions than herein prescribed, provided like free extensions are made to other customers under similar conditions. The conditions under which such extensions will be made shall be stated in the utility's filed tariff.

Before implementing its proposed construction fund proposal, Green River Valley should revise its filed tariff to include the rules that will govern its new water main extension arrangement. These rules should include, at a minimum, the eligibility requirements for participation in the program. They should also ensure that all similarly situated customers are treated in a similar manner. If Green River Valley requires assistance in developing these rules, it may request assistance from Commission Staff.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Gerald Wuetcher, Commission counsel, at (502) 564-3940, Extension 259.

Sincerely,

*Helen C. Helton*

Helen C. Helton  
Executive Director