

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF NORTH SHELBY WATER)
COMPANY FOR NEW SERVICE EXTENSION) CASE NO. 10471
PROCEDURES)

O R D E R

On November 10, 1988, North Shelby Water Company ("North Shelby") filed a proposed regulation dealing with the extension of distribution mains. As the proposed regulation contains provisions which differ from Commission Regulation 807 KAR 5:066, Section 12, it may not be placed into effect without prior Commission approval as per 807 KAR 5:066, Section 12(4).

Commission Regulation 807 KAR 5:066, Section 12(1) requires a water utility to extend its existing distribution main up to 50 feet without charge to an applicant for service who contracts to use the service for 1 year or more. If the extension to serve an applicant or group of applicants exceeds 50 feet per applicant, a water utility may require the applicants to pay the total cost of the excessive footage over 50 feet per applicant. The cost of this 50 feet shall be based on the average cost per foot of the total extension as per 807 KAR 5:066, Section 12(2)(a). For 10 years following the construction of the extension, the water utility must refund to those paying for the excess footage the

cost of 50 feet of the extension for each additional customer whose service line is directly connected to the extension as per 807 KAR 5:066, Section 12(2)(b).

North Shelby's proposed regulation differs from the Commission Regulation in two respects. First, in addition to the initial applicants, it requires all customers connected to an extension within 10 years of its completion, to contribute to the cost of the extension. Initial customers would still pay the cost of the extension in excess of 50 feet per customer. Later customers would contribute an amount based upon a recomputation of North Shelby's portion of the total cost and earlier customer contributions. North Shelby would still be required to refund the cost of 50 feet of the extension per new customer connected to the extension. Later contributions would be refunded to earlier customers to equalize the amount of contribution for each customer connected to the extension.

The second difference between North Shelby's proposed regulation and Commission Regulation 807 KAR 5:066, Section 12, is that the proposed regulation permits North Shelby to recover its surplus funds used to finance main extensions. The proposed regulation contains specific criteria which, when met, would allow North Shelby to contribute surplus funds to the construction of main extensions. These criteria are: surplus funds exist, substantial opportunity for repayment of the expended surplus funds exists, the proposed extension will not otherwise be constructed, and the initial customers unanimously agree to allow

North Shelby to recover its surplus funds before refunds will be made to them. These funds would be recovered from the contributions of customers who are later connected to the extension prior to any refund to earlier customers.

For the same reasons as expressed in Case No. 10091, The Request of U.S. 60 Water District of Shelby and Franklin Counties, for a Deviation from 807 KAR 5:066, Section 12 Regarding Water Extension, wherein a similar utility regulation on distribution main extensions was before us, the Commission finds that North Shelby's proposed regulation should be approved.

IT IS THEREFORE ORDERED that:

1. North Shelby's proposed regulation be, and it hereby is, approved.

2. Within 30 days of the date of this Order, North Shelby shall file a revised tariff with this Commission containing the approved regulation on distribution main extensions.

Done at Frankfort, Kentucky, this 5th day of December, 1988.

PUBLIC SERVICE COMMISSION

Chairman



Vice Chairman



Commissioner

ATTEST:

Executive Director