

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HARDIN COUNTY WATER)
DISTRICT #2 FOR A DEVIATION FROM THE) CASE NO.
REQUIREMENTS OF 807 KAR 5:066, SECTION) 89-248
12(4), REGARDING WATER LINE EXTENSIONS)

O R D E R

On September 5, 1989, Hardin County Water District #2, ("Hardin #2") submitted an application for a deviation from the requirements of 807 KAR 5:066, Section 12, the Commission's water line extension regulation, and filed a tariff containing its proposed alternative extension policy. Further information regarding the proposed extension policy was requested by Order of the Commission issued on October 18, 1989, and an informal conference was held with Commission Staff on November 27, 1989. On December 7, 1989, Hardin #2 filed a revised tariff which amended certain provisions of its original proposal. Hardin #2 has not proposed an effective date for its tariff filing.

Two proposals of Hardin #2's filing mark a significant departure from current Commission extension policies. Those proposals are: 1) that the Commission allow the refunds to developers for new customers connected to an extension to be based on 75 percent of the tap-on fee rather than on the cost of 50 feet of line; and 2) that the Commission allow refunds to be paid to

developers for customers connected to subsequent extensions from an original extension.

When asked to explain the rationale behind linking refunds to the cost of meter connection fees rather than to the cost of the extension itself, Hardin #2 responded that it would provide ease of record-keeping due to consistency of refund amounts, and a ready way to inform potential customers of the cost to them to hook on to the system. The Commission does not find this position persuasive. KRS 278.0152(2) states that the tap-on fee shall include charges for a service tap, meter, meter vault and installation thereof. Such fees are intended to recover the actual connection cost incurred by the utility. These costs change periodically, resulting in increased tap fees, whereas the costs incurred for lines, once installed, will not change over a refund period. Refunds should be based on the cost of the construction to which the refund is related.

Historically, it has been the Commission's position that 807 KAR 5:066, Section 12, does not permit a developer to receive refunds for customers connected to extensions or laterals which are subsequently added to the extension for which the developer paid. Under Hardin #2's proposed policy, a developer would receive refunds when such customers are added. Although Hardin #2 stated in its application that the proposed extension policy is more equitable than the ones currently approved by the Commission, the Commission is again unpersuaded. Each developer benefits from the sale of lots/houses to those customers connected to his own extension. Each developer also benefits from plant previously in

service for which he made no contribution. Consequently, equity does not require that a developer receive refunds from extensions or laterals built from his extension by a subsequent developer. From a practical standpoint, the refund method proposed by Hardin #2 could create a recordkeeping nightmare lasting indefinitely.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that the extension policy proposed in Hardin #2's tariff filing of September 1, 1989, as amended by its tariff filing of December 7, 1989, is unreasonable and should not be approved.

IT IS THEREFORE ORDERED that:

1. Hardin #2's request for a deviation from the requirements of 807 KAR 5:066, Section 12, is hereby denied.

2. Hardin #2's tariff filings of September 1, 1989 and December 7, 1989 are hereby rejected.

Done at Frankfort, Kentucky, this 16th day of March, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director

Commissioner