

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WINCHESTER )  
MUNICIPAL UTILITIES FOR APPROVAL OF ) CASE NO.  
THE COLLECTION OF SYSTEM ) 96-616  
DEVELOPMENT CHARGES )

O R D E R

IT IS HEREBY ORDERED that Winchester Municipal Utilities ("WMU") shall file the original and 12 copies of the following information with the Commission by March 7, 1997 with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed (for example, Item 1(a), Sheet 2 of 6). Include with each response the name of the witness who is responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of that information in responding to this Order.

1. Identify the persons who prepared "A Study of System Development Charges" and their position with WMU. Provide the curriculum vitae for each person identified.

2. Refer to "A Study of System Development Charges." Appendix A, "Water Fixed Assets" lists existing customer equity of \$120,606 for 1995 new services. At Table

1, WMU has included this amount as a portion of the existing customer equity that will be recovered through the proposed System Development Charge ("SDC").

a. To whom (retail customers or wholesale customers) are the 1995 new services used to provide water service?

b. What benefits, if any, do WMU's wholesale customers receive from the 1995 new services?

c. Why should any portion of these costs be included in the calculation of an SDC to WMU's wholesale customers?

3. Refer to "A Study of System Development Charges." Appendix A, "Water Fixed Assets" lists existing customer equity of \$2,588,422 for "waterline/services." At Table 1, WMU has included this amount as a portion of the existing customer equity that will be recovered through the proposed SDC.

a. Are all of the waterlines and services used to provide service to WMU's wholesale customers?

b. If no, what percentage is used to provide service? Show how this percentage was calculated. State all assumptions used to make these calculations and provide the workpapers for these calculations.

c. If some of the waterlines and services are not used to provide service to WMU, is a reduction in the level of existing customer equity used to calculate the SDC to wholesale customers to reflect this fact appropriate? Explain.

4. Refer to "A Study of System Development Charges." Appendix A, "Water Fixed Assets" lists existing customer equity of \$131,399 for "Water Meters." At Table

1, WMU has included this amount as a portion of the existing customer equity that will be recovered through the proposed SDC.

a. Are all water meters used to provide service to WMU's wholesale customers?

b. If no, what percentage is used to provide service? Show how this percentage was calculated. State all assumptions used to make these calculations and provide the workpapers for these calculations.

c. If some water meters are not used to provide service to WMU, is a reduction in the level of existing customer equity used to calculate the SDC to wholesale customers to reflect this fact appropriate? Explain.

5. Refer to "A Study of System Development Charges." Appendix A, "Water Fixed Assets" lists existing customer equity of \$40,086 for general plant assets. At Table 1, WMU has included this amount as a portion of the existing customer equity that will be recovered through the proposed SDC.

a. Why should any portion of this amount be considered when determining a SDC for WMU's wholesale customers?

b. State all assumptions, show all calculations and provide all workpapers used for this allocation.

6. Refer to "A Study of System Development Charges." Appendix A, "Wasterwater Fixed Assets" lists existing customer equity of \$831,164 for "Sewer Lines/Equipment." At Table 2, WMU has included this amount as a portion of the existing customer equity that will be recovered through the proposed SDC.

a. Are all sewer lines and equipment used to provide service to WMU's wholesale customers?

b. If no, what percentage is used to provide service? Show how this percentage was calculated. State all assumptions used to make these calculations and provide the workpapers for these calculations.

c. If some sewer lines and equipment are not used to provide service to WMU, is a reduction in the level of existing customer equity used to calculate the SDC to wholesale customers to reflect this fact appropriate? Explain.

7. Refer to "A Study of System Development Charges." Appendix A, "Wasterwater Fixed Assets" lists existing customer equity of \$337,662 for "1995 New Lines." At Table 2, WMU has included this amount as a portion of the existing customer equity that will be recovered through the proposed SDC.

a. Are all "1995 New Lines" used to provide service to WMU's wholesale customers?

b. If no, what percentage is used to provide service? Show how this percentage was calculated. State all assumptions used to make these calculations and provide the workpapers for these calculations.

c. If some "1995 New Lines" are not used to provide service to WMU, is a reduction in the level of existing customer equity used to calculate the SDC to wholesale customers to reflect this fact appropriate? Explain.

d. What benefits, if any, do WMU's wholesale customers receive from the "1995 New Lines"?

8. Refer to "A Study of System Development Charges." Appendix A, "Wastewater Fixed Assets" lists existing customer equity of \$40,086 for general plant assets. At Table 2, WMU has included this amount as a portion of the existing customer equity that will be recovered through the proposed SDC.

a. Why should any portion of this amount be considered when determining a SDC for WMU's wholesale customers?

b. State all assumptions, show all calculations and provide all workpapers used for this allocation.

9. Refer to "A Study of System Development Charges," Tables 5 and 6. Does the average daily demand for 5/8-inch meters include the total number of 5/8-inch meters in the systems of WMU's wholesale customers?

10. For each project listed in WMU's 5-year capital plan, describe in detail how WMU's wholesale customers will benefit.

11. For each year from 1990 through 1996 list:

a. The number of retail customers to whom WMU provided water service on December 31.

b. Annual sales (in gallons) to retail customers.

c. The number of retail customers to whom WMU provided sewer service on December 31.

12. a. Has WMU performed or commissioned any study of its projected future growth and demand?

b. If yes, provide all studies.

13. State whether WMU's need for increased capacity and infrastructure upgrading is due to an increase in its retail customer base. Explain.

14. Refer to Testimony of Vernon Azevedo. How will the construction of a transmission main from WMU's water treatment plant to Winchester and then to the eastern limits of WMU's service area benefit wholesale customers?

15. Does WMU plan to impose a fee for new fire service connections? If yes, when will such a fee be imposed?

16. a. What considerations, if any, has WMU given to the potential effects on economic development of an SDC on customers which use meters larger than 5/8-inch?

b. Is WMU concerned that a business requiring a 10-inch meter, which will be assessed a \$115,000 SDC for water and a \$115,000 SDC for sewer, will choose to locate elsewhere?

c. (1) Does WMU anticipate negotiating the level of any SDC to any person requiring a meter size connection larger than 10 inches?

(2) If yes, will such negotiations be held with persons who would receive service from WMU's wholesale customers? Explain.

17. In developing the proposed SDCs did WMU consider the possibility that the meter-equivalent ratios used may not be indicative of the potential demand requirements?

18. If a meter size connection exceeds 10 inches, how will the level of the SDC be determined?

19. Does WMU intend to dedicate interest income to the system development account?

20. Describe every scenario under which WMU would assess its wholesale customers an SDC.

a. How does WMU intend to administer the SDC to ensure that its wholesale customers report the addition of new customers and are assessed the SDC for those customers?

b. Has WMU developed rules for the implementation and enforcement of the SDC? If yes, provide these rules.

21. Provide the following publications that Ms. Thomson refers to in her testimony:

a. Balancing Subsidies and Cross-Subsidies in Impact Fee Development - Moving Toward A More Equitable Approach.

b. Rates and Impact Fees - An Overview for Small Water and Sewer Utilities.

22. Refer to the Written Testimony of Rebecca P. Thomson. Is it unusual for wholesale customers of a water and sewer municipal utility to pay the same rate as or a lower rate than the municipal utility's retail customers who are located outside the municipal boundaries?

23. Has Ms. Thomson prepared any cost-of-service study which examines WMU's current cost to provide water and sewer service?

24. Refer to the Written Testimony of Rebecca P. Thomson at 17. Does Ms. Thomson agree with the following statement: "WMU wholesale customers should pay the same SDC as WMU's retail customers even if its contract did not require WMU to assess the same rates and charges to its wholesale customers as it assesses its retail customers"? Explain.

24. In preparing her testimony, did Ms. Thomson review each allocated asset to determine if it currently or will in the future provide a benefit to WMU's wholesale customers? If no, why not?

25. Refer to the Written Testimony of Robert H. Greilich at 12. Explain how SDCs lower land prices.

26. Does Mr. Greilich agree that the development fee should be assessed to individual applicants desiring a line extension?

27. In preparing his testimony, did Mr. Greilich review each allocated asset to determine if it currently or will in the future provide a benefit to WMU's wholesale customers? If no, why not?

28. Provide a map of WMU's system that shows the location of all major system facilities, WMU's current service territory and WMU's wholesale customers.

29. Provide all cost-of-service studies conducted by or commissioned for WMU in the last 5 years.

30. When was the last cost-of-service study for WMU performed? Do WMU's current rates reflect the rates that the study recommended?




Done at Frankfort, Kentucky, this 21st day of February, 1997.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:



Executive Director