

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 ORDERED that Winchester Municipal Utilities ("WMU") shall within 14 days of the date of this Order file an original and five copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When numerous 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 will respond to questions relating to the information provided. Careful attention shall be given to copied material to ensure its legibility.

1. Refer to "A Study of System Development Charges," Appendix E, and to WMU's Response to the Commission's Order of February 21, 1997.

a. What effect, if any, would the departure of a WMU wholesale customer, have on the proposed \$8.5 million expansion and upgrade of WMU's water treatment plant? The answer should address three different scenarios: the departure of Boonesboro Water Association ("Boonesboro"); the departure of East Clark County Water District ("East Clark"); and the departure of both wholesale customers.

b. What effect, if any, would the departure of a WMU wholesale customer, have on the other components of WMU's five-year plan? The answer should address three different scenarios: the departure of Boonesboro Water Association ("Boonesboro"); the departure of East Clark County Water District; and the departure of both wholesale customers. What effect, if any impact would the loss of a wholesale customer have on other five year plan items?

c. (1) Will WMU gain additional customers as a result of the construction of multiple level intake at reservoir project?

(2) If yes, how many customers will be added in the next five years?

d. (1) Does Boonesboro receive service through the 10-inch transmission main which is the subject of the \$1,300,000 transmission main replacement project?

(2) Does East Clark receive service through the 10-inch transmission main which is the subject of the \$1,300,000 transmission main replacement project?

(3) What is the total length of the existing 10-inch transmission main?

(4) How many inch miles of the existing 10-inch transmission main does each wholesale customer use?

e. (1) Does Boonesboro receive service through the Cherry Street tank?

(2) Does East Clark receive service through the Cherry Street tank?

f. With regard to the \$1,700,000 transmission replacement program,

(1) Describe in detail how WMU's wholesale customers will benefit from this project?

(2) How many miles of transmission line will be replaced?

(3) Identify the location of the existing transmission mains which will be replaced.

(4) Of the total miles of main replaced, how many inch miles in this project will be jointly used by WMU and each wholesale customer?

g. (1) List all projects which are part of "Major Sewer Projects."

(2) For each project listed, identify its location and cost and describe the specific benefit which it will provide to WMU's wholesale customers.

h. Why should the system development charge ("SDC") contain a component for vehicle replacement costs to replace vehicles which are presently used to serve existing customers?

2. a. Has WMU studied the effect of an SDC on applications for water service from low income households which currently do not have potable water and may wish to participate in a water extension line project?

b. (1) If yes, provide all studies which WMU has performed, commissioned, or considered in developing its proposed SDC.

(2) If no, why not?

3. In her paper, Balancing Subsidies and Cross-Subsidies In Impact Fee Development-Moving Toward A More Equitable Approach, Ms. Thomson states that "water and sewer impact fees of \$2,000 will add about \$15 to a typical monthly mortgage."

a. Does Ms. Thomson hold the position that only homebuilders and developers should pay a SDC?

b. Does Ms. Thomson agree that a SDC may prevent some households in rural areas which do not currently have potable water a SDC from connecting to existing water distribution systems?

4. Over what length of time will WMU allow a potential customer to pay the proposed SDC?

5. a. Is WMU willing to adjust its volumetric rate as its wholesale sales increase instead of assessing the SDC to its wholesale customers?

b. (1) If yes, why did WMU not propose this approach?

(2) If no, why not?

6. In the calendar years of 1994 and 1995, Boonesboro added 17 new customers and East Clark added 55 new customers. During the same period, WMU added 150 new customers. If the majority of new services added are in the WMU service territory, should WMU's future retail customers be allocated a greater percentage of costs in the 5 year plan than its wholesale customers?

7. Refer to WMU's Response to Intervenors' First Information Request, Item 38.

a. Identify which projected expenses were included in the development of the SDC and identify where in "A Study of System Development Charges," Appendix E, these expenses are shown.

b. Are any of the costs listed for "100 Administrative" and "200 Engineering" allocated to the SDC?

c. Provide justification for allocating a percentage of the \$45,000 expense for the replacement of curbits to the wholesale customers.

d. (1) What is the total projected cost for the replacement of all vehicles included in the calculation of the SDC ?

(2) List all vehicles whose replacement cost is included in this amount. For each vehicle, identify its primary purpose or use.

e. If the vehicles to be replaced are aged and are currently used to provide service to current customers, why should their replacement costs be included in the calculation of the SDC?

f. Is any portion of the \$15,000 engineering service for the recycling study included in the proposed SDC?

g. What is the relationship, if any, between the construction of security fences and system growth?

h. Explain why the costs associated with the replacement of an unreliable telemetry system should not be recovered through service rates rather than a SDC.

i. (1) Describe in detail the gate valve box adjustment project.

(2) List the benefits which will accrue to WMU's retail customers from this project.

(3) List the benefits which will accrue to WMU's wholesale customers from this project.

j. Did WMU include the Lindberg Road, Fulton Road, Leonard Avenue, Denny Avenue, North Bloomfield Road, Melbourne Street, Arlington Road and Lee Street Services in its calculation of the proposed SDC? If yes, how will these projects benefit the wholesale customers?

k. (1) As justification for its transmission main replacement project (projected cost of \$1.7 million), WMU states that the "[m]ain is almost 100 years old and is severely tuberculated." Given the existing condition of the main which is used to provide service to existing customers, why should the cost of this project not be recovered entirely from all customers through basic service rates?

(2) If this main is primarily used to provide service to several subdivisions and the loss of the main would result in the loss of fire protection to Winchester, why is it fair to allocate an equal portion of the replacement cost to the wholesale customers?

l. Are the Johnson Street, Bon Haven Avenue and the Foxboro Court Main Replacement projects included in the SDC? If so, how will they benefit the wholesale customers?

m. As justification for its replacement of a transmission main from WMU's water treatment plant to the Kentucky River (projected cost of \$1.3 million), WMU

states that the "[m]ain was installed in 1923. The present main is cast iron, unlined and severely tuberculated, and experiences several main breaks per year." Given the existing condition of the main which is used to provide service to existing customers, why should the cost of this project not be recovered entirely from all customers through basic service rates?

n. As justification for its replacement of an air compressor (projected cost of \$5,250), WMU states that the "[p]resent unit is ten years old and is the only unit in service." Given the existing condition of the air compressor which is used to provide service to existing customers, why should the cost of this project not be recovered entirely from all customers through basic service rates?

o. (1) As justification for its replacement of a pipe locator (projected cost of \$1,750), WMU states that the "[p]resent unit is ten years old." Given the existing condition of the pipeline locator which is used to provide service to existing customers, why should the cost of this project not be recovered entirely from all customers through basic service rates?

(2) State as a percentage of its total use the frequency of which WMU uses the current pipeline locator to locate the lines serving East Clark and Boonesboro.

p. As justification for its replacement of a truck with a dump body (projected cost of \$25,000), WMU states that the "[p]resent unit is a twenty-five year old dump truck." Given the existing condition of the truck which is used to provide service

to existing customers, why should the cost of this project not be recovered entirely from all customers through basic service rates?

q. As justification for its replacement of several sewer lines, WMU states that the "[l]ine is known to be severely deteriorated." Given the existing condition of these lines which are used to provide service to existing customers, why should the cost of these projects not be recovered entirely from all customers through basic service rates?

r. As justification for its replacement of a backhoe (projected cost of \$60,000), WMU states that the unit is ten years old and "has above average wear due to age and volume of use." Given the existing condition of the backhoe which is used to provide service to existing customers, why should the cost of this project not be recovered entirely from all customers through basic service rates?

s. As justification for its replacement of the cab and chassis for a sewer jet unit (projected cost of \$40,000), WMU states: "Current vehicle is a twenty-five year old cab and chassis. Unit requires frequent maintenance. . . . The sewer jet equipment has been rebuilt and remains usable, serviceable equipment." Given the existing condition of the sewer jet unit which is used to provide service to existing customers, why should the cost of this project not be recovered entirely from all customers through basic service rates?

t. Is the replacement of the Elizabeth Street Lift Station due to future growth? If no, explain why it is included in the calculation of the SDC.



u. (1) How is the installation of a two-line phone system at the WMU wastewater treatment plant related to system growth?

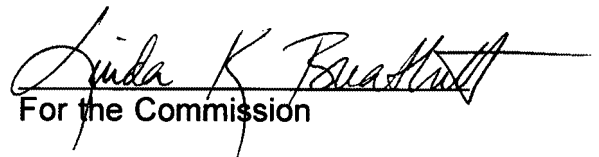
(2) Would WMU install the new system if it incurred no additional customer growth?

8. Refer to WMU's Response to Intervenors' First Information Request, Item 59. Does Mr. Bunch hold the position that only homebuilders and developers will be assessed a SDC and not individual homeowners who request an extension?

9. Refer to WMU's Response to Intervenors' First Information Request, Item 69. Mr. Azevedo states that WMU expects developers to pass the SDC on to the end user. Is it Mr. Azevedo's belief that end users who connect to a waterline extension project will also be assessed a SDC?

Done at Frankfort, Kentucky, this 24th day of April, 1997.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director