

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

MUHLENBERG COUNTY)	
COOPERATIVE EXTENSION)	
DISTRICT)	
)	
COMPLAINANT)	
)	
vs.)	CASE NO. 98-064
)	
MUHLENBERG COUNTY WATER)	
DISTRICT)	
)	
DEFENDANT)	

O R D E R

On January 15, 1998, Muhlenberg County Cooperative Extension Service ("County Co-op") filed a complaint against the Muhlenberg County Water District ("Muhlenberg Water") alleging that Muhlenberg Water had refused to negotiate a special contract to provide water service for a 3-inch meter at a discount from the tariffed rate. In response to the Commission's Order to satisfy or answer the complaint, Muhlenberg Water filed an answer in which it denies any legal obligation to enter into a special contract and affirmatively states that it is obligated to adhere to its filed tariffs which include the approved rate for a 3-inch meter which is being charged to the County Co-op. Muhlenberg Water further states that it serves other customers through 3-inch meters and the granting of any rate discount to the County Co-op would result in a violation of its filed tariffs.

A public hearing was held at the Commission's offices on March 25, 1998. The County Co-op presented the testimony of two witnesses, an extension agent and a board member; and Muhlenberg Water presented the testimony of one witness, its chairman.

The facts underlying the County Co-op's complaint are not in dispute. In 1997, the County Co-op constructed an 8,400 square foot building containing offices and meeting rooms. The new building contains fire sprinklers and has a capacity level of 150 people but will be regularly occupied by only five people. The fire sprinklers, which were required to be installed to meet applicable building code requirements, necessitated the installation of a 3-inch water meter to provide sufficient water capacity.

The County Co-op's building was designed and built with only one water meter to supply water for both domestic and sprinkler service. Muhlenberg Water's monthly minimum bill for a 3-inch meter is \$116.38, which entitles the customer to use up to 26,000 gallons without incurring any additional charges. Since the County Co-op anticipated its typical monthly water usage to be substantially less than 26,000, it raised this issue with Muhlenberg Water while the new building was still under construction. Muhlenberg Water suggested at least one alternative for supplying water to the sprinkler system through a smaller size meter but since the building's internal piping had already been installed, the alternative was not economically feasible.

The County Co-op then requested Muhlenberg Water to enter into a special contract to furnish a 3-inch meter at a monthly rate which is less than the \$116.38 filed tariff. The basis for this special contract, according to the County Co-op, are the facts that its normal, recurring water usage will be substantially less than that of the three other customers using 3-inch meters, each being a school, and substantially less than its monthly entitlement of

26,000 gallons. Muhlenberg Water considered the County Co-op's proposal but rejected it as constituting an unfair preference and a violation of its approved rate tariff.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that the rate design embodied in Muhlenberg Water's tariffs is widely used by water utilities and accepted by the Commission. It includes monthly minimum charges that increase as the meter size increases, with the entitlement to water at no additional charge increasing in a direct relationship with the minimum charge. Thus, for Muhlenberg Water, a 1-inch meter has a \$25.70 monthly minimum with an entitlement to 5,000 gallons, while a 3-inch meter has a \$116.38 monthly minimum with an entitlement to 26,000 gallons. The monthly minimum rates and water entitlements are set at levels that will ensure some revenue stability to the utility while charging the customer for the capacity that is being reserved to meet the customer's potential demand.

The County Co-op has a need for a 3-inch water meter to provide sufficient quantities of water to operate its sprinkler system in the event of a fire. The ability to have fire protection within its building is a valuable asset to the County Co-op and its building could not have been constructed absent a fire protection system. Muhlenberg Water must, of course, be ready and able at all times to provide on demand the maximum quantities of water that can be utilized by the County Co-op through its 3-inch meter.

Thus, the County Co-op has the ability to consume the maximum quantity of water that will flow through a 3-inch meter, and Muhlenberg Water has the obligation to provide that quantity of water upon demand. Although the County Co-op receives a valuable benefit each and every month from its ability to operate its fire sprinkler system when needed, it wants to pay for only the actual quantity of water that it consumes, rather than

paying a minimum charge for a 3-inch meter. It is neither unfair nor unreasonable for Muhlenberg Water to charge its tariffed minimum rate for a 3-inch meter. To allow the County Co-op to pay less than the tariffed minimum for its meter size would create an undue preference since no other customer who uses less than the minimum for its meter size is entitled to pay less than the monthly minimum. If the County Co-op did not have the physical capacity to take and utilize water from a 3-inch meter, there might be a sufficient basis to justify a lower monthly minimum charge. But the County Co-op does have that physical capacity and minimum charges are established specifically for those customers with minimal consumption for their meter size.

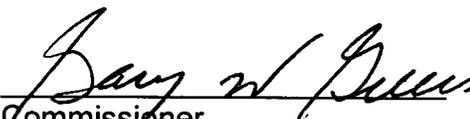
IT IS THEREFORE ORDERED that the relief requested by the County Co-op is denied.

Done at Frankfort, Kentucky, this 17th day of June, 1998.

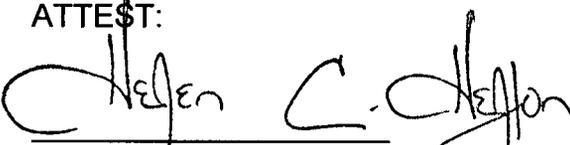
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director