

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WARREN COUNTY WATER)	
DISTRICT, WARREN COUNTY, KENTUCKY (A))	
FOR A CERTIFICATE OF CONVENIENCE AND)	
NECESSITY PURSUANT TO KRS 278.020)	
AUTHORIZING SAID DISTRICT TO CONSTRUCT)	
IMPROVEMENTS AND EXTENSIONS TO ITS)	
EXISTING SEWER SYSTEM WHICH)	CASE NO. 2011-00418
IMPROVEMENTS AND EXTENSIONS WILL BE)	
FINANCED IN WHOLE OR IN PART UNDER THE)	
TERMS OF AN AGREEMENT BETWEEN THE)	
WATER DISTRICT AND THE KENTUCKY)	
INFRASTRUCTURE AUTHORITY AND (B) FOR)	
AUTHORITY TO ISSUE CERTAIN SECURITIES)	
AS REQUIRED BY KRS 278.300)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO WARREN COUNTY WATER DISTRICT

Pursuant to 807 KAR 5:001, Warren County Water District ("Warren District") shall file with the Commission no later than January 20, 2012 the original and five copies of the following information, with a copy to all parties of record. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and

accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Warren District shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Warren District fails or refuses to furnish all or part of the requested information, Warren District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to Warren District's Response to Commission Staff's First Request for Information, Item 13. Assume that the boundary for the Sewer Interceptor Capital Recovery Area ("SICRA") included Buchanon Park. State the total amount of the proposed SICRA fee that Warren County Fiscal Court would be assessed. State all assumptions and show all calculations used to derive the total fee amount.

2. State Warren District's position on any Commission-imposed condition that would require assessment of the proposed SICRA fee to terminate upon collection of \$823,000 or December 31, 2031, whichever occurs first.

3. State whether Warren District will seek rate recovery of depreciation on the proposed sewer interceptor project when it next requests a rate adjustment.

4. Describe how Warren District determined that only 60 percent of the total SICRA was developable. Provide all correspondence, memoranda, notes, and other background documents used in making this determination.

5. Refer to Warren District's Response to Commission Staff's First Information Request, Item 9.

a. For each of the subdivision developments listed, state the date on which the subdivision plat for the development was first filed with the Warren County Clerk's Office.

b. For each development listed, state the distance that each is located from the SICRA.

c. Provide a map of Warren County on which is indicated the location of the four subdivision developments, as well as the SICRA.

d. List each subdivision in Warren County that is within a 10-mile radius of the SICRA.

6. Refer to Warren District's Response to Commission Staff's First Information Request, Item 18. State the statutory or constitutional authority that prohibits the Warren County Fiscal Court from legally committing funds beyond the current fiscal year.

7. Refer to Warren District's Response to Commission Staff's First Information Request, Item 20(b). Neither the Commission's Order of September 9,

1993 in Case No. 93-289¹ nor the letter of conditions² submitted in support of Warren District's application in that proceeding make any reference to sewer connection fees.

a. State whether Warren District periodically reviews its sewer connection fees to determine these fees' adequacy.

b. If Warren District conducts periodic reviews of its sewer connection fees, provide a copy of all studies, analyses, reports, memoranda, and correspondence related to such reviews conducted with the last ten years.

c. Identify all costs and expenses that the sewer connect fees are intended to recover.

8. Refer to Warren District's Response to Commission Staff's First Information Request, Exhibit F. Define the following classifications that appear on Exhibit F:

- a. Highway Business;
- b. Highway Business Binding Elements;
- c. General Business Binding Elements;
- d. Residential Estate Binding Elements; and
- e. Residential A-1 Binding Elements.

9. State whether any of the facilities of the South Warren Middle School and South Warren High School will be connected to the proposed sewer interceptors.

¹ Case No. 93-289, *The Application of Warren County Water District, Warren County, Kentucky, (A) For a Certificate of Convenience and Necessity, Pursuant to KRS 278.020 and 278.023, Authorizing Said Water District To Construct Improvements and Extensions To Its Existing Sewer System, Which Improvements and Extensions Will Be Financed In Whole or In Part Under The Terms of an Agreement Between The Water District and The U.S. Farmers Home Administration; (B) For Authority To Issue Certain Securities As Required By KRS 278.300; and (C) For Approval of Sewer Rates and Charges Has Been Received* (Ky. PSC Sept. 9, 1993).

² Letter from Robert W. Letton, State Rural Development Coordinator, Farmers Home Administration, to L.E. Smith, Chairman, Warren County Water District (Dec. 9, 1992).

10. Provide all studies, analyses, and reviews that Warren District performed regarding the revenues that the proposed sewer interceptor project would generate.

11. Assume that 1,180 residential units connect to the proposed sewer interceptors and that the expenses to operate Warren District do not increase as a result of inflation. State the expected effect of these additional customers on Warren District's annual net revenues from its sewer operations.

12. In its Response to Commission Staff's First Information Request, Item 14, Warren District states:


This request for information suggests a broader policy question concerning whether the cost of sewer extension projects should be paid for by all individual property owners ultimately served by the extension, or paid for entirely by the entity that first needed service and initiated the project to serve a specific location. Unlike water service which can be extended into rural areas at a reasonable cost, the high cost of sewer extensions into unserved areas becomes a financial burden and typically unfeasible for the initial user. The premise of the SICRA is to allow the initial user (such as the Fiscal Court) to recover its principal investment for a sewer extension that will eventually benefit a larger group of users. Allowing the initial user the possibility of recovering some, if not all, of the initial construction cost will encourage the extension of sewers into unserved areas. It is unfeasible to place this high cost of sewer extensions on all rate payers as it would result in unacceptably high rates and/or quickly deplete any reserves that the utility may have on deposit.

a. Refer to Warren District's Sewer Tariff, Rule 26. Explain why, in light of the statement set forth above, Warren District has not revised its existing tariff to permit refunds for privately financed sewer main extensions when subsequent connections to such extensions are made.

b. Identify all sewer main extensions on Warren District's system since January 1, 1996 in which Warren District provided alternative arrangements for initial users to recover the cost of the extension.

13. a. State whether, under the terms of the agreement between Warren District and Warren County Fiscal Court, Warren District may use SICRA Fee proceeds to make advance payment of principal.

b. Assume that SICRA Fee proceeds exceed debt service payments in the later years of the proposed loan repayment period and that excess proceeds exist when the final debt service payment is made. State how, under the terms of the agreement between Warren District and Warren County Fiscal Court, these excess proceeds are to be used.



Jeff Deroden
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Public Service Commission
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DATED: JAN 10 2012

cc: Parties of Record

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