

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF WARREN COUNTY WATER)	
DISTRICT TO ESTABLISH THE ROCKFIELD)	CASE NO. 2012-00269
SCHOOL SEWER CAPITAL RECOVERY FEE)	

ORDER

Warren County Water District ("Warren District") has proposed revisions to its rate schedules to add its Rockfield School Sewer Interceptor Capital Recovery Area ("Rockfield SICRA") fee to recover some of the costs incurred to construct a sewer interceptor main to serve the Rockfield Elementary School.¹ By this Order, we approve Warren District's proposed SICRA fee.

Warren District is a water and sewer district that is organized pursuant to KRS Chapter 74. It owns and operates facilities that collect and transport sewage for approximately 4,557 customers in Warren County, Kentucky.² It has a contract with Bowling Green Municipal Utilities for the treatment of the collected sewage. Warren District is a utility subject to Commission's jurisdiction.³

On November 28, 2011, Warren District executed an agreement with Warren County Board of Education ("Board of Education") to extend its existing sewer mains to

¹ On May 23, 2012, Warren District submitted a revised tariff sheet containing the proposed Rockfield SICRA. It proposed to place the proposed rate into effect on July 1, 2012. Finding additional review of the proposed fee was necessary, the Commission on June 29, 2012 suspended the proposed fee for five months until November 30, 2012 and initiated this proceeding. No persons have sought intervention in this proceeding.

² *Report of Warren County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2011 (Sewer Division) ("Annual Report")* at 1 and 12.

³ KRS 278.010(3)(f); KRS 278.015.

Rockfield Elementary School. Under the terms of this Agreement, the Board of Education agreed to contribute approximately \$495,000 toward the cost of the extension.⁴ Warren District agreed to assume the remaining cost of the extension, which the parties estimated to be \$152,000.⁵ It further agreed to establish and collect “appropriate capital contributions to help defray the costs of installation” over 20 years and to pay the sum of these collections annually to the Board of Education.⁶

To extend service to Rockfield Elementary School, Warren District installed⁷ approximately 6,200 linear feet of six-inch sewer force main southwesterly along U.S. Highway 68 to the northeast corner of the elementary school. This segment of the extension began at an existing 15-inch gravity sewer main that is located along U.S. Highway 68 in southern Warren County approximately 2,200 feet northeast of McClellan Road. Upon reaching the elementary school property, Warren District constructed 1,200 linear feet of four-inch sewer force main along the eastern property line of the school site and connected it to a 180-gallon-per-minute lift station, which Warren District constructed in the southern corner of the school site. To serve properties south and

⁴ Construction Agreement, ¶ 2.

⁵ *Id.* at ¶ 3.

⁶ *Id.* at ¶ 8.

⁷ Warren District maintains that the construction of the proposed facilities is an extension in the ordinary course of business and has not applied for a Certificate of Public Convenience and Necessity to construct them. The construction appears to meet the definition of an extension in the ordinary course of business. See 807 KAR 5:001, Section 9(3). Given that Warren District's net utility plant as of December 31, 2011 for its sewer division was \$30,536,287, total cost of the proposed facilities represents approximately 2.1 percent of its total facilities. *Annual Report* at 4. No debt will be incurred to finance the facilities, nor will any existing charges for service be increased. Rockfield Elementary School is currently served by a package treatment plant that is “in very poor condition.” Project Description and Tariff Calculation Information at 1 (filed May 23, 2012). Given the package treatment plant's condition and its apparent inability to serve any other properties in the area, the proposed facilities will not create wasteful duplication of plant, equipment, property or facilities. The proposed facilities, therefore, will not conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general area in which the utility renders service or contiguous thereto.

west of the school site, Warren District installed an eight-inch gravity sewer along the southern property line of Rockfield Elementary School running north and west to U.S. Highway 68.⁸

Warren District reported the total cost of the constructed facilities as \$647,000. Of this amount, approximately \$583,600 represented construction costs, including contingencies.⁹ Design, inspection and construction services accounted for the remaining \$63,400. To fund the cost of the constructed facilities, the Board of Education contributed \$495,000. Warren District contributed \$152,000 through internally generated funds. No debt was issued to finance the facilities.

Warren District determined the Board of Education's portion of the project cost based upon the estimated cost of the facilities to serve only the Rockfield Elementary School. It calculated that a smaller sewage lift station and a smaller-sized sewer force main would have been required to serve the school only. Moreover, a lesser length of sewer force main would have been needed.¹⁰

To ensure a proper allocation of the cost of extending service to those persons whom the sewer main extension will serve, Warren District proposes to assess a fee for each connection to the sewer main that is made within the Rockfield SICRA. This area generally consists of properties that can be connected to the proposed interceptor sewer with gravity sewers.¹¹ The size of the water meter serving the connecting party's property will determine the amount of this fee.

⁸ Project Description and Tariff Calculation Information at 1.

⁹ *Id.*, Ex. C.

¹⁰ *Id.* at 2.

¹¹ For a map of this area, see Appendix B to this Order.

Warren District will assess customers receiving water service through a 5/8-inch water meter a fee of \$770 per connection. For customers with larger-sized water meters, the fee will be based upon meter diameter ratio.¹² It proposes to collect this fee for the earlier of a 20-year period or the full receipt of the Board of Education's \$495,000 capital contribution.¹³ On a yearly basis Warren District will remit the prior year's collections directly to the Board of Education.¹⁴

Warren District based the connection-fee on the estimated potential number of residential units within the Rockfield SICRA that would presumably request service. The Rockfield SICRA occupies approximately 533 acres. Its total developable area is approximately 200 acres. By examining the density of recently developed residential subdivisions in the vicinity of the Rockfield SICRA, Warren District assumes that the residential density of new residential subdivision developments will be approximately two units per acre. Given the total developable area, Warren District estimates that approximately 400 new residential units and 246 existing residential properties will use the expanded system.¹⁵

¹² The chart below shows how the fee is calculated:

Water Meter Size	Meter Diameter Ratio	Contribution Amount
5/8-Inch	1.0	\$ 770
1-Inch	1.6	1,230
1 1/2-Inch	2.4	1,850
2-Inch	3.2	2,460
3-Inch	4.8	3,700
4-Inch	6.4	4,930
6-Inch	9.6	7,390

¹³ Project Description and Tariff Calculation Information at 3.

¹⁴ *Id.*

¹⁵ *Id.*

The Commission has carefully reviewed Warren District's assumptions and calculations and finds them reasonable. We further find that the proposed SICRA fee will reasonably allocate the cost of the proposed sewer main extension among its potential users. The proposed SICRA embodies some of the policies that are found in 807 KAR 5:066, Section 11(2)(b). It ensures that the utility bears a portion of the cost of the main. Yet, it also places the majority of the financial risk on the party that will immediately benefit from its construction, while still requiring those future individuals who wish to utilize the system to contribute to its cost.

In accordance with Warren District's request and to ensure that the SICRA fee will not generate excessive revenues, we find that the assessment of the SICRA fee should terminate on or before December 31, 2032 or after SICRA fees of \$495,000 have been assessed. To avoid potential misunderstandings with its customers, Warren District should revise its tariff sheets to identify clearly the area to which the SICRA fee will apply and to include a map of said area. Finally, we find that Warren District should annually report its assessment and collection of SICRA fees.

IT IS THEREFORE ORDERED that:

1. Warren District is authorized to assess the proposed Rockfield SICRA fee, as set forth in Appendix A to this Order, for each connection made to the Rockfield sewer main extension on and after the date of this Order.

2. Warren District shall cease assessment of the Rockfield SICRA fee on December 31, 2032 or when its cumulative assessment of Rockfield SICRA fees totals \$495,000, whichever occurs first.

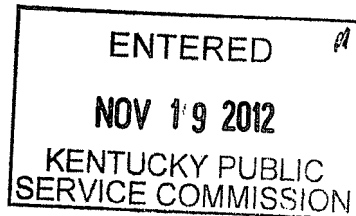
3. Within 30 days of the date of this Order, Warren District shall file revised tariff sheets that reflect the fees approved in this Order and contain a description of the area that is subject to the Rockfield SICRA fee. At a minimum, this description shall include a map of the Rockfield SICRA and a listing of all streets and roadways within the Rockfield SICRA.

4. Warren District shall maintain a current description of the Rockfield SICRA in its filed rate schedules as long as the Rockfield SICRA fee remains in effect.

5. Beginning in 2013, for the period from the date of this Order through December 31, 2012, and for each calendar year thereafter in which the surcharge is effective, Warren District shall submit with the annual financial and statistical report required by 807 KAR 5:006, Section 3(1), a written report stating the total Rockfield SICRA fees billed during the preceding calendar year and the total Rockfield SICRA fees billed since the date of this Order.

6. Warren District shall maintain separate accounts for the billing and collection of Rockfield SICRA fees.

By the Commission



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2012-00269 DATED NOV 19 2012

The following rates and charges are prescribed for the customers in the area served by Warren County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Rockfield SICRA Rate

In addition to the connection fees already set forth in Warren County District's filed rate schedule, through December 31, 2032, or until the total assessment of \$495,000, whichever occurs first, customers applying for initial sewer service on a property within the boundary delineated for the Rockfield School Sewer Capital Recovery Area shall pay the following contribution:

<u>Water Meter Size</u>	<u>SICRA Rate</u>
5/8-Inch	\$ 770
1-Inch	1,230
1 1/2-Inch	1,850
2-Inch	2,460
3-Inch	3,700
4-Inch	4,930
6-Inch	7,390

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2012-00269 DATED NOV 19 2012

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