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August 15, 2005

Beth O'Donnell, Executive Director
Public Service Commission
211 Sower Blvd
P.O. Box 615
Frankfort, KY 40602

RECEIVED

AUG 17 2005

PUBLIC SERVICE
COMMISSION

Re: The Tariff Filing of North Shelby Water Company to Revise
its Extension Policy to Include a Line Upsize Charge
Case No. 2005-00327

Dear Ms. O'Donnell:

Enclosed please find the original and ten (10) copies, plus an extra first page only, of North Shelby Water Company's Amended Motion to Extend the Line Enlargement Charge. Please file the original and ten copies with the Commission and return to me the file-stamped first page copy. For your convenience I have enclosed a self-addressed stamped envelope.

The purpose of this Amended Motion is to correct an error in the total amount of line enlargement funds collected since the program began, and a corresponding \$287,004.63 increase in the balance remaining in the account. Please accept our apologies for this mistake.

Please do not hesitate to call me should you have any questions.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

BY: Donald T. Prather
Donald T. Prather

By: A. McElain

DTP/pm
Enclosures
Cc: Darrell Dees
Duncan LeCompte
Sandy Broughman
Don/wtr/nswc/line/psc filing ltr

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 17 2005

In the Matter of:

PUBLIC SERVICE
COMMISSION

THE TARIFF FILING OF NORTH SHELBY }
WATER COMPANY TO REVISE ITS EXTENSION }
POLICY TO INCLUDE A LINE UPSIZE CHARGE }

CASE NO. 2005-00327

AMENDED MOTION

Comes North Shelby Water Company ("North Shelby"), by counsel, and respectfully moves that the Commission extend the line enlargement charge established in this case for a period of ten (10) years, so that the charge will now expire December 31, 2015.

In support of this Motion, North Shelby states that this is a line enlargement charge, not a system development charge, and therefore the provisions of 807 KAR 5:090 do not seem to apply. The line enlargement charge is to be used exclusively for replacing undersized water lines or, if it is cheaper to do so, install a loop. By contrast, system development charge funds can be used for any capital improvement plan as long as it has been approved by the Commission. 807 KAR 5:090 §11(2).

North Shelby has collected a total of \$621,509.85 in line enlargement charges (including interest earned on the fund) since the program began. It has spent and/or allocated the following amounts on the following projects:

1. Harrington Mill Upgrade - \$34,010.00
2. Mulberry Loop - \$47,183.00
3. Aiken Road Upgrade - \$68,300.00
4. Drane Lane Loop - \$54,618.50
5. Bob Rogers Loop - \$34,762.00
6. Trammell Lane Loop - \$74,047.00

North Shelby has thus spent a total of \$312,920.50 on line enlargement and/or loop projects, leaving a balance in the account of \$307,589.35. North Shelby recently directed its engineer to perform a system-wide hydraulic analysis to determine where best to spend these remaining funds.

When the line enlargement charge was originally approved, North Shelby had approximately 42,000 of linear feet of two-inch line and 416,000 linear feet of three-inch line in its distribution system. No additional two or three inch lines have been constructed. Approximately 20,090 feet of two-inch line and approximately 11,500 feet of three-inch line have now been replaced, leaving approximately 22,000 feet of two-inch line and 404,500 feet of three-inch line yet to be replaced. In addition to the two-inch and three-inch lines, there is a great deal of four-inch line on our system which will eventually become obsolete or inadequate if current trends continue, including the continuing pressure to provide fire protection to rural residents.

It is significant that four of the six projects were loop completions as opposed to strictly line enlargement projects. By spending \$210,610.00 on these four projects, North Shelby was able to defer spending approximately \$295,000.00 which would have been the cost to enlarge the undersized lines. This is a significant savings to the customers of North Shelby and has had the additional benefit of eliminating stale water issues and providing better water pressure, especially during peak usage periods. Additionally, since these loops served new customers, Shelby Fiscal Court contributed one-fourth of each project, improving North Shelby's system by \$70,200.00 at no cost to our members.

North Shelby believes its line enlargement charge has worked effectively and fairly in avoiding the transfer of line enlargement costs from profit-making developers to rate-paying customers. Since North Shelby's charge is paid by the developer when the plat is approved, it is either absorbed by the developer or added to the price of the lot. Since a developer

generally charges as much as possible for a lot (the market price) regardless of the developer's development expense, we believe the charger is seldom passed on to the lot purchaser. Further, we believe it is much better to charge the cost to the developer than to the lot purchaser, since this eliminates the possibility that a lot purchaser may close on buying a lot without realizing an additional system development charge must be paid in order to receive service from the water main running in front of that lot. Finally, rural residential lots, which in the past had usually avoided paying any of their infrastructure costs, now must pay at least a portion of the water infrastructure costs, as small lots in new subdivisions requiring water main extensions have long done.

WHEREFORE, for the foregoing reasons, North Shelby Water Company respectfully requests that the Commission renew the line enlargement charge for an additional ten (10) years.

Respectfully Submitted,

MATHIS, RIGGS & PRATHER, P.S.C.

By. 

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