

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF NORTH SHELBY)
WATER COMPANY TO REVISE ITS) CASE NO.
EXTENSION POLICY TO INCLUDE A LINE) 2005-00327
UPSIZE CHARGE)

COMMISSION STAFF'S SECOND INFORMATION REQUEST
TO NORTH SHELBY WATER COMPANY

North Shelby Water Company ("North Shelby") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than 15 days from the date of this request. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of 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 be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Through general rates for service the Commission allows a water district and associations recovery of depreciation expense to fund extensions and replacements made necessary from normal wear of the system and ordinary extensions of service due to

development and growth. List all previously constructed improvements and currently planned system improvements either funded or to be funded through the Line Enlargement Charge and explain why each project is not an extension or replacement made necessary by normal wear and growth of the system that should be funded through depreciation expense collected from the general rate revenues of the system. Provide all evidence showing that the growth requiring these improvements is out of the ordinary making special funding outside of general rates for service appropriate.

2. In response to Item 9(b) of the Commission Staff's First Information Request ("Staff's First Request"), North Shelby refers to an improvement project with an estimated cost of \$2,391,000.

- a. When will this improvement project be constructed?
- b. How does North Shelby intend to finance the project?
- c. Will the project require a Certificate of Public Convenience and Necessity from the Commission?

3. North Shelby's Line Enlargement Charge is based on one half of the cost of main extension so that as development occurs on both sides of a main the entire cost of the main is paid through the charge. There are benefits accruing to existing customers from these main replacements such as increased quality of service, replacement of older, deteriorated main through which service is received, increased customer base, and availability of fire protection. Explain why then it is appropriate to require the developers to fund the entire cost of the main and not divert a portion of the cost to all those receiving service and benefiting from the improvements.

4. In response to Item 2(a) of the Staff's First Request, North Shelby cites the need for 6-inch main to provide fire protection in newly developed areas as well as those areas already served by smaller sized main as a "significant factor" for originally seeking the Line Enlargement Charge. Explain why it is appropriate for developers through the payment of the Line Enlargement Charge to subsidize construction costs necessary to provide fire protection to areas already served by North Shelby.

5. (a) Provide a worksheet that lists separately, by main size and the year placed into service, each main extension of North Shelby that is either currently in service or has been replaced.

(b) For each main extension project listed in response to (a), provide its total costs, linear length, number of customers served, depreciable life, and depreciation taken to date.

(c) Indicate on the worksheet which mains were replaced using Line Enlargement Charge funds.

(d) State the method of funding for the main replacements where Line Enlargement Charge funds were not used.

(e) Of the mains that are currently in-service indicate which were constructed to replace other mains.

(f) Indicate on the worksheet all main replacements planned in the next 10 years and describe how each replacement will be funded, i.e., Line Enlargement Charge, general funds of the District, etc.

6. Refer to North Shelby's response to Item 1(h) of the Staff's First Request. North Shelby states that in April 2005 it directed its engineer to conduct a system-wide

hydraulic analysis to determine the order in which mains should be upgraded. Provide the status of this analysis and all reports issued as a result of this analysis.

7. Refer to North Shelby's response to Item 5(a) of the Staff's First Request. North Shelby states that one reason it may not apply for a system development charge is its "belief that such charges unfairly place the economic burden on the purchaser of a residential building lot." Isn't it true that a new customer is required to pay the current Line Enlargement Charge when building on a residential lot that is not a part of a development?

8. Refer to North Shelby's response to Item 5(c) of the Staff's First Request. North Shelby states that it believes developers make infrastructure costs necessary and, therefore, the developers should pay these costs. Ultimately, isn't it the people who move into the development that make the infrastructure costs necessary?

9. Refer to North Shelby's response to Item 6 of the Staff's First Request. North Shelby states that neither a system development charge nor a surcharge is appropriate because both impose the cost of improvements on existing customers. Explain how this is true for a system development charge that is charged to new customers?

10. Refer to North Shelby's response to Item 7(a) of the Staff's First Request. North Shelby was requested to file a copy of each filing it made with the Commission in accordance with the Order in Case No. 1995-00161.¹ Commission Staff notes that not all of the information filed by North Shelby in response to this item has been filed with the Commission. Further, for most of the information that was filed by the utility since the approval of the Line Enlargement Charge, the filing was made in response to prompting by

¹ Case No. 1995-00161, The Tariff Filing of North Shelby Water Company to Revise Its Extension Policy to Include a Line Upsize Charge.

Commission Staff. In response to Item (7(b), North Shelby states that the reason for the filing deficiencies was that the Assistant Manager Russ Rose resigned in 2001 and that “no one else in the office was aware that the information needed to be filed.” Explain that statement given that the correspondence the utility filed in response to Item 7(a) includes Commission Staff correspondence with Manager Darrell Dees dated May 20, 1998 and with Commissioner Duncan LeCompte dated April 29, 1999 directing the utility to file the required information annually.

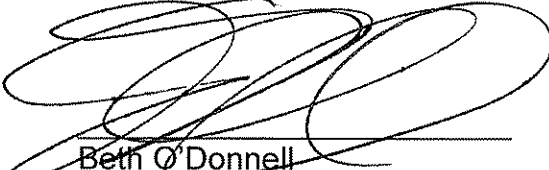
11. Refer to North Shelby’s response to Item 7(a) of the Staff’s First Request. North Shelby included correspondence with Commission Staff dated May 20, 1998 in which Staff recalculated the Line Enlargement Charge and directed the utility to charge no more than \$4.79 per foot for 1998. Provide the line enlargement rate per foot charged in 1998 subsequent to the date of that letter.

12. Refer to North Shelby’s response to Item 7(c)(2) of the Staff’s First Request regarding the utility’s purchase of a \$200,000 certificate of deposit (“CD”) using line upsize proceeds. North Shelby states that “[w]hen Mr. Rose left North Shelby, he did not advise any one of the existence of this CD.” Explain that statement given that the correspondence filed in response to Item 7(a) includes correspondence between Manager Darrell Dees and Commission Staff dated May 1, 2001 in which Mr. Dees informs Staff that \$200,000 was transferred to a CD.

13. Refer to North Shelby’s responses to Item 7(d) of the Staff’s First Request. North Shelby states that it did not charge a Line Enlargement Charge that was \$2.56 higher per foot to one customer than it did to other customers.

a. Explain why this response differs from the response to Commission Staff's Accounting Inspection Report.

b. Attachment A to this request is a copy of a page of North Shelby's line enlargement records obtained by Commission Staff during the recent Accounting Inspection. Attachment B is a copy of a document filed by North Shelby in response to Item 7(a). Explain why the frontage shown on Attachment M.J. Farms is shown as 1,381.32 for a Line Enlargement Charge of \$8.57 but Attachment B shows the frontage for this customer as 1,969.75 for a Line Enlargement Charge of \$6.01.



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

Dated: January 24, 2006

cc: Parties of Record

ATTACHMENT A

RECORDS OF LINE ENLARGEMENT CHARGE

| DATE | PROPERTY LOCATION | NAME | FOOTAGE | CHARGE | AMT RECEIVED |
|----------|-----------------------|------------------------------|---------|---------|--------------------|
| 1/18/01 | Hwy 53 & Locust | Jennings | 1290 | \$5.31 | \$ 6,849.90 |
| 1/23/01 | Hwy 395 / Hamsborough | Saunders | 877.1 | \$5.31 | \$ 4,657.40 |
| 3/19/01 | Hwy 12 Jacksonville | Hayden | 554.79 | \$5.31 | \$ 2,945.93 |
| 3/29/01 | Christiansburg Rd | Brooks | 1214.17 | \$5.31 | \$ 6,447.24 |
| 3/29/01 | Hwy 55 | Stivers | 4040.39 | \$5.31 | \$ 21,454.47 |
| 4/13/01 | Aiken Road | Schweitzer | 737.53 | \$6.01 | \$ 4,432.56 |
| 5/22/01 | Benson Rd | Bobby Dale | 256.83 | \$6.01 | \$ 1,567.50 |
| 8/01/01 | Hwy 53 | Zaring | 500.34 | \$6.01 | \$ 3,007.04 |
| 8/01/01 | Cooper Lane | O'Keefe / Bratcher | 100.01 | \$6.01 | \$ 601.06 |
| 9/18/01 | Hwy 1005 | Barnett / Marum | 765.13 | \$6.01 | \$ 4,598.43 |
| 11/01/01 | 1848 | Wayne Shuck | 584 | \$6.01 | \$ 3,509.84 |
| 11/01/01 | Hwy 1005 | McCarty | 1396.64 | \$6.01 | \$ 8,393.81 |
| 11/01/01 | Hwy 362 | Heaton | 723.95 | \$6.01 | \$ 4,350.94 |
| 11/30/01 | Reed Lane | Wallace Farm | 175.00 | \$6.01 | \$ 1,051.75 |
| 12/5/01 | REFUND | | | | \$ 601.06 |
| 12/14/01 | Hwy 55 North | Miss Clore | 562.75 | \$6.01 | \$ 3,382.13 |
| 12/20/01 | Clore Jackson Rd | M.J. Farms | 1381.32 | \$8.57 | \$ 11,838.22 |
| 1/7/02 | NSW Transfer | \$ 25,025.00 to Construction | | | old Mill Extension |
| 3/19/02 | Grohagen Rd | Mark Gentry | 619.85 | \$6.01 | \$ 3,725.30 |
| 5/7/02 | Moody Pike / Hwy 55 | Mary Cunningham | | | \$ 3051.64 |
| 5/30/02 | Long Run Rd | C.T. Mullins | | | \$ 360.66 |
| 5/30/02 | Christiansburg Rd | Angel Farms | | | \$ 1009.11 |
| 5/30/02 | Vigo Rd | Rick O'Neil | Refund | \$1,213 | \$ 27,600.14 |

should not have charged

Per board / Attorney

ATTACHMENT B

NORTHSHORE 2001 UPSIZE RECEIPTS

| | | |
|-------------|----------|------|
| Prepared By | Initials | Date |
| | | |
| Approved By | | |

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| Date | Description | Amount | Total |
|---------------------|--|-------------|-----------------------|
| 6/21/00 | Jones Fraser (Kaler Fm) | | 4111.74 |
| 6/24/00 | Bernie Mullins | | 1610.36 |
| 8/22/00 | Carol Loughran (HANA Ad) | | 659.24 |
| 9/22/00 | Rothberg (H, 55) | | 1327.50 |
| 9/22/00 | Todd Stephenson | | 1878.70 |
| 10/18/00 | Bob Bams (El. Russell Bldg Ad) | | 2301.73 |
| 10/18/00 | Waterford (Emerg P, ke) | | 5130.47 |
| 11/9/00 | Burnell (Tedd's Pt) | | 9190.87 |
| 12/17/00 | CR to NSW for CA | | 200,000.00 |
| 1/24/01 | McNabs (421) | | 5461.02 |
| 1/24/01 | James (53) | | 6849.90 |
| 1/24/01 | SANDERS | | 4657.40 |
| 3/19/01 | Hayden | | 2945.93 |
| 1/18/01 | James (53) 1290ft @ 5.31 | | 6849.90 |
| 1/23/01 | SANDERS | | |
| 3/19/01 | Hayden 654.79 @ 5.31 | | 2945.93 |
| 3/29/01 | Bloods 1214.7 @ 5.31 | | 6447.24 |
| 3/29/01 | Stuvia (53) 4040.31 @ 5.31 | | 21454.47 |
| 4/13/01 | Schweitzer Hg 362 737.53 @ 6.01 | | 4432.56 |
| 5/22/01 | Dale (Benson) 250.83 " | | 1507.50 |
| 8/10/01 | ZARINS 500.34 | | 3007.04 |
| 9/10/01 | O'Keefe (Coop LN) 100.01 | | 601.66 |
| 9/18/01 | Barnett 765.3 | | 4578.43 |
| 11/01/01 | Shuck 584 | | 3609.81 |
| 11/01/01 | McLarty 1396.64 | | 8393.81 |
| 11/01/01 | Keaton 723.95 | | 4350.94 |
| 11/30/01 | UP/ACC 175.00 | | 1051.75 |
| 12/5/01 | Refund | | -601.06 |
| 12/14/01 | Clare 562.75 | | 3382.13 |
| 12/20/01 | MJ FAMS (CS Rd) 1969.75 | | 11838.22 |
| 1/7/02 | NSW TRANSFER 25,025.00 to Coast | | 25,025.00 |
| 3/19/02 | Kenney 619.85 @ 6.01 | | 3725.30 |
| 5/7/02 | Cummins (Moody Pl) | | 3051.64 |
| 5/30/02 | CT Mulling | | 360.66 |
| 5/30/02 | Randy Angel | | 609.11 |
| 5/30/02 | RekQuint Refund | | 4860.14 |
| 7/12/02 | Waver (H, 12) | | 4068.70 |
| 7/12/02 | Lech Price | | 1668.03 |
| 10/7/02 | H Peim 461 @ 6.61 | | 3074.87 |