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January 10, 2006

Mr. Robert D. Meredith
100 East White Oak Street
Leitchfield, Kentucky 42754

Re: Edmonson County Water District
Case No. 2005-00466

Dear Mr. Meredith:

On December 14, 2005, Commission Staff held a telephone conference with you to discuss Edmondson County Water District's proposed sewer tariff. Participating in this conference on behalf of Commission Staff were Commission Staff attorneys Gerald Wuetcher and Robert Cowan. This letter memorializes our discussions during that conference.

At the outset of the conference, Commission Staff advised you that Edmonson County Water District Manager Nelson Sanders had contacted Commission Staff earlier that day and had been advised of the telephone conference. When asked if Mr. Sanders should be added to the conference call, you stated that Mr. Sanders' participation was not necessary.

Commission Staff then proceeded to note its concerns regarding the proposed tariff. Commission Staff expressed the concern that Article II, §§ 1 and 2, implied that the water district possessed police powers that were in fact possessed by Edmonson County Fiscal Court or other municipalities. Commission Staff suggested that these provisions be deleted. To address any questions about the appropriate authority for required sewer connections, Commission Staff suggested that the water district maintain a copy of the relevant ordinances for public review and inspection at its offices. At the conclusion of our discussion, you agreed that these provisions should be deleted.

Commission Staff noted its concerns with references to the water district's "Manager" that appeared throughout the proposed tariff. We suggested that the tariff be revised to refer to "the District" rather than a specific official in the water district. Commission Staff noted that the water district could delegate its authority to the appropriate official through ordinance or resolution.

Commission Staff noted that Article III, §2 referred to three classes of service - residential, commercial, and industrial - but does not define these services. It suggested that a definition of each service be added. I have enclosed the tariff of Willabrook Sanitation Incorporation as an example of these. Commission Staff requested that the water district provide the Commission with a copy of the application form(s) to which the water district refers in this section. It also requested that the water district specify the amount of the application fee that is mentioned in this section and describe how this fee was calculated.

Commission Staff noted that Article II, §5 referred to water district procedures for the construction and connection of a building sewer. It further noted that these procedures should be set forth in the proposed tariff. You advised that the water district would agree to the deletion of the last sentence of §5 to eliminate this issue. In a similar vein, Commission Staff noted that Article II, §6 referred to "approved means" and suggested that these means should be expressly identified in the proposed tariff.

Commission Staff also questioned some of the rate provisions contained in the proposed tariff. It noted that Article IV, §4 required additional payments for certain types of non-human waste that required additional treatment. Commission Staff suggested that the proposed tariff be amended to provide that these payments would not be greater than the actual costs imposed on the water district to treat these different types of wastewater.

Commission Staff, while recognizing that the Commission has already approved the rates contained in the proposed tariff, questioned why rates differed for residential and non-residential customers. It noted that the rates appeared to be based on the treatment of the same type of wastewater. If a commercial customer is submitting the same type of wastewater as a residential customer, why is a different rate appropriate? This question takes on even greater significance in light of the proposed tariff's provisions that permit the water district to assess additional fees to customers (such as certain commercial and industrial customers) whose wastewater imposes greater treatment costs on the water district. Commission Staff requested an explanation for the differences in residential and non-residential rates.

Commission Staff suggested that the last sentence of Article IV, §5 be removed. It noted that a customer's removal and hauling of pre-treatment waste that does not enter the water district's system is not related to the water district's provision of wastewater services. Placing restrictions on the persons or entities with whom a customer could contract to provide such services is not a reasonable condition of service. The Edmonson County Fiscal Court, local health department, or environmental authority are the more appropriate governmental bodies to impose such requirements.

We discussed the purpose and applicability of Article IV, §7. You stated that the water district intended the section to apply only to commercial and industrial customers, not to residential customers. Commission Staff suggested that the section be revised to apply only to commercial and industrial customers.

Commission Staff questioned the necessity and advisability of Article IV, §§2 and 3. It noted that the Open Records Act already provides protection for release of confidential information to the public. It questioned why the water district would want to restrict its own access to customer information regarding wastewater effluent that could significantly affect its wastewater treatment processes. Commission Staff suggested that as §3 was an internal rule governing the conduct of water district employees, not a rule regarding the provision of service, it should not be included in the proposed tariff. Commission Staff emphasized, however, that it did not object to the substance of the rule as a work rule.

Commission Staff suggested significant revisions to Article VI, §2. More specifically, it suggested that all references to penalties that local governments might assess be deleted and placed with a general provision noting that failure to comply with the water district's rules and regulations would result in termination of water and wastewater service.

Regarding Part II of the proposed tariff, which deals with rates, Commission Staff suggested that the water district clarify §2 to describe how the water district will calculate the monthly bill of a sewer customer who is "not connected to a municipal water supply." Commission Staff also suggested that a definition of "municipal water supply" be added to the tariff.

During the conference, you indicated that the water district only will perform or contract for the services necessary for customer taps to the water district's wastewater system. Customers will not be permitted to make the taps for themselves. This intent is not clearly reflected in the proposed tariff and appears inconsistent with Article III, §§1 and 3.

Commission Staff questioned the need for a tap-on fee. As Article II, §3 required the customer to bear all costs and expenses incidental to the installation and connection of the building sewer, Commission Staff asked the water district to identify the costs that the proposed tap-on fee of \$400 would recover. It suggested that the water district provide an itemized listing of these costs. For your reference, a copy of the form that the Commission uses for non-recurring charges is attached to this letter.

During the conference, you indicated that the water district intends to discontinue both water and wastewater services for any delinquent wastewater customer and to assess separate \$35 fees for the reconnection of each service. Commission Staff recommended that the proposed tariff clearly state that a reconnection fee would be charged for the restoration of each service.

This letter reflects Commission Staff's recollection of the telephone conference. If your recollection differs, please advise the Commission's Executive Director in writing within 10 days of the date of this letter. To assist Edmonson County Water District in the revision of its proposed tariff, Commission Staff is enclosing revised tariff sheets that reflect Commission Staff's proposed revisions and suggestions. An electronic copy of these sheets has been transmitted to you this day by electronic mail.

Robert D. Meredith, Esq.

January 10, 2006

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Any questions regarding this letter should be directed to Gerald Wuetcher, Assistant General Counsel, at (502) 564-3940, Extension 259, or to me at Extension 247.

Sincerely,

A handwritten signature in cursive script that reads "J. Robert Cowan". The signature is written in black ink and is positioned above the printed name.

J. Robert Cowan
Staff Attorney

Enclosures

CC: Case File
Parties of Record