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1400 Rogersville Road  
Radcliff, KY 40159-0489

October 27, 2006

RE: Case No. 2006-00186

Please see enclosed data request from Commission Staff in the above case.

If you need further assistance, please contact James Goff at (502) 564-3940 ext. 261.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

BOD/sh  
Enclosure



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Radcliff, KY 40160

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER )  
DISTRICT NO. 1 FOR PERMISSION TO DEVIATE ) CASE NO. 2006-00186  
FROM KAR 807 5:066, SECTION 11, REGARDING )  
WATER MAIN EXTENSION REIMBURSEMENTS )

COMMISSION STAFF'S SECOND SET OF INTERROGATORIES  
AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO  
HARDIN COUNTY WATER DISTRICT NO. 1

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Hardin County Water District No. 1 ("HCWD1") file the original and 8 copies of the following information with the Commission within 20 days of this request, with a copy to all parties of record. Each copy of the information requested shall 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 shall be given to copied material to ensure its legibility. 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 HCWD1's Response to First Set of Interrogatories and Requests for Production of Documents, Item 1. State whether the request for deviation also

includes structures such as professional offices, commercial enterprises, small stores, that would be owned by “for profit” entities or engage in “for profit” activities.

2. Refer to HCWD1’s Response to First Set of Interrogatories and Requests for Production of Documents, Item 1. Explain why a customer’s involvement in a “for profit” activity is a rational basis for requiring him/her to bear a greater share of the cost of a water main extension than a customer who does not engage in such activity. Provide any legal authorities that support HCWD1’s position.

3. Identify all other areas in which HCWD1 currently distinguishes between customers based upon a customer’s involvement in a “for profit” activity” or use of water for a “for profit” activity.

4. State whether HCWD1 believes that rates for water service should distinguish between customers who engage in a “for profit” activity at the location that receives water service and those that do not engage in such an activity. If no, explain why not.

5. Refer to HCWD1’s Response to First Set of Interrogatories and Requests for Production of Documents, Item 3. In OAG Opinion 75-179, the Attorney General stated that a “water district is under an obligation to serve all inhabitants . . . within its geographical area of service as fixed under KRS 74.010 and as defined by the certificate of convenience and necessity.” Explain how the proposed deviation is consistent with this obligation.

6. Refer to HCWD1’s Response to First Set of Interrogatories and Requests for Production of Documents, Item 3. State whether HCWD1 agrees with the following statement:

In general, where a public utility accepts a franchise to serve the public or a portion thereof and undertakes to serve a community or territory and its inhabitants, it assumes a public duty to render service commensurate with its offer of providing a service system that will be reasonably adequate to meet the wants of the community or territory, not only at the time of the commencement of the service but likewise to keep pace with the growth of the community or territory served and gradually to extend its system as the reasonable wants of the community or territory may require. The obligation of a public utility to perform under the terms of its franchise includes the rendering of service to those entitled thereto within the franchise area even though they have not theretofore received such service.<sup>1</sup>

Explain.

7. Refer to HCWD1's Response to First Set of Interrogatories and Requests for Production of Documents, Item 3. HCWD1 states that "there is a difference between reimbursement of water main costs to a 'private, speculative developer' versus those projects which . . . [do] the 'common good' (i.e., those unserved/underserved by potable water) . . . [and which are] a direct response to public policy." Explain why, as the Hardin County area expects a "significant and major civilian population increase" due to major changes in the mission of the Fort Knox Military Installation, the efforts of private developers to provide housing for this new population is contrary to or inconsistent with the "common good" or public policy.

8. Refer to HCWD1's Response to First Set of Interrogatories and Requests for Production of Documents, Item 8.

a. Identify the administrative regulation (other than Administrative Regulation 807 KAR 5:066, Section 11) or statute that requires HCWD1 to make any

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<sup>1</sup> 64 Am. Jur. 2d Public Utilities §36 (2006).

extension at its own expense or to refund the cost of a customer-financed water main extension.

b. Identify the statute, administrative regulation (other than Administrative Regulation 807 KAR 5:066, Section 11) or ordinance that requires HCWD1 to make the extensions discussed in the response.

9. State whether HCWD1's position regarding refunds for real estate subdivision main extension would be different if the water utility were required to make the refund to the purchaser of a real estate subdivision lot rather than the real estate subdivision developer. Explain.

10. State whether HCWD1 currently requires a real estate subdivision developer to pay the costs of any engineering review or hydraulic modeling that HCWD1 or its agents perform. Explain.

11. Explain why, in HCWD1's opinion, providing refunds for water main extensions made to existing homes along existing public roads but refusing to provide such refunds for extensions to real estate subdivision developments would not constitute an unreasonable preference or advantage to persons living in or owning homes along existing public roads.

12. Refer to HCWD1's *Response to First Set of Interrogatories and Requests for Production of Documents*, Item 13. Explain why, since HCWD1 uses a standardized water main extension reimbursement agreement, HCWD1 has not filed this agreement with the Commission as part of its filed tariff.

13. Refer to HCWD1's *Response to First Set of Interrogatories and Requests for Production of Documents*, Item 15. Explain why, using the same economic model

that HCWD1 assumed in its response and assuming that a prospective customer has full knowledge of the requirements of Administrative Regulation 807 KAR 5:066, Section 11(3), a prospective customer would not seek to negotiate a purchase price that reflects the elimination of any refund that the real estate subdivision developer would received from HCWD1.

14. Explain why HCWD1 makes refunds or reimbursements to real estate subdivision developers quarterly instead of annually.

15. Refer to HCWD1's Response to First Set of Interrogatories and Requests for Production of Documents, Item 22(d).

a. In its response, HCWD1 terms as impractical any rule that provides that a "customer connection" **for purposes of establishing a real estate subdivision developer's eligibility for reimbursement** does not occur until the connected structure is constructed and occupied and the person who will reside in or occupy the structure has applied for water service and has executed a contract to take water service for a minimum of one year. As such rule would not prohibit the connection of a residence to a water distribution main or restrict the availability of water service, explain why this rule would prevent the closing of any home mortgage loan.

b. In its response, HCWD1 states that it "is unaware that a water district can require, through contract, a home owner to take water service for a set amount of time. State whether HCWD1 is aware that Administrative Regulation 807 KAR 5:066, Section 11(1), conditions a water main extension of 50 feet or less without charge upon a prospective customer applying for and contracting to use "service for one (1) year or more."

c. In its response, HCWD1 notes the transient nature of the military population in the Radcliffe area. In its application, however, HCWD1 noted that one reason for its application was the expectation of a “significant and major civilian population increase” due to major changes in the mission of the Fort Knox Military Installation. Given that the new customers will apparently be civilians, explain why the transient nature of the military population is an obstacle to the proposed rule.

16. Refer to HCWD1’s Response to First Set of Interrogatories and Requests for Production of Documents, Item 22(e).

a. Describe the “additional procedures and labor” to which HCWD1 refers in its response.

b. State whether HCWD1 is of the opinion that an extension of the time period over which the cost of extension must be refunded has no monetary or economic value to the water utility. Explain.

17. State whether extending out the time in which reimbursements to real estate subdivision developers are made reduces the need for rate adjustment. Explain.

18. Describe the recordkeeping systems that HCWD1 currently uses to track and monitor water main extension refunds.

19. Refer to HCWD1’s Response to First Set of Interrogatories and Requests for Production of Documents, Item 37. In response to this interrogatory, HCWD1 refers to its response to Interrogatory 36. That response does not contain any estimate of the expected customer increase in the next 5 years resulting from the changes in the Fort Knox Military Installation’s mission. State the number of additional customers that HCWD1 estimates to add in the next 5 years as a result of changes in the Fort Knox

Military Installation's mission. Show all calculations and state all assumptions used to derive this estimate.

20. State whether HCWD1 currently orders and purchases all materials that real estate subdivision developers use to construct the water main extensions to their real estate subdivision development.

21. Assume the Commission approves HCWD1's request for deviation and HCWD1 is no longer required to make reimbursements to real estate subdivision developers for the cost of water main extensions to their real estate subdivision developments. State whether, under those conditions, HCWD1 will order and purchase all materials that real estate subdivision developers use to construct the water main extensions to their real estate subdivision development.

22. Refer to HCWD1's Application at Exhibit D.

a. Describe the topics discussed at the meeting "with staff to review WME Agrmt" and identify the HCWD1 employees who normally attend this meeting.

b. Explain the phrase "Dev provides staff with Cont. Labor."

c. Refer to step labeled "HCWD1 Staff prepares complete WME Estimate."

(1) Describe "WME Estimate."

(2) List and describe the actions that HCWD1 employees take to prepare the estimate.

(3) Assume that no reimbursements for water main extensions are required.

(i) State whether an agreement between HCWD1 and the subdivision real estate developer would still be required to address non-reimbursement issues such as approval of environment permits, easements, inspection of facilities, construction standards, and warranties on the construction. Explain.

(ii) State the amount of time on the part of HCWD1 Staff to draft and develop a WME agreement if an agreement between HCWD1 and the subdivision real estate developer were still necessary.

d. Refer to step labeled "Send WME Contract Draft" with estimate to Devel." Describe the actions that are part of this step.

e. Refer to the step labeled "Dev comes to District to sign WME and bring deposit."

(1) Describe the purpose of the deposit. List the costs that the deposit is securing.

(2) State whether, in those instances where a real estate developer assumes total responsibility for the construction of the water main extension, including the purchase of materials and labor, a deposit to HCWD1 is required. Explain.

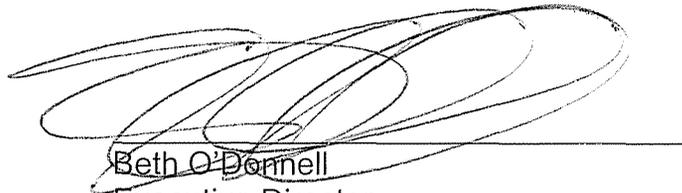
f. Refer to step labeled "HCWD1 Staff begins WME Checklist." Describe "WME Checklist" and the actions that are part of this step.

g. Refer to step labeled "HCWD1 orders wet tap (if needed) by others." Describe the actions that are part of this step.

h. Refer to step labeled "Staff reconciles all costs, deposit final proj cost and adjusts." Describe the actions that are part of this step

23. State whether in HCWD1's opinion water distribution main extensions that a real estate subdivision developer constructs are generally more expensive than water distribution main extensions that HCWD1 constructs. Explain.

24. State whether in HCWD1's opinion the quality of construction and workmanship of water distribution main extensions that a real estate subdivision developer constructs differs significantly from that of water distribution main extensions that HCWD1 constructs. Explain.



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Frankfort, Kentucky 40602

DATED: October 27, 2006

cc: Parties of Record

Case No. 2006-00186