



Ernie Fletcher
Governor

Mark David Goss
Chairman

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

John W. Clay
Commissioner

Timothy J. LeDonne
Commissioner
Department of Public Protection

January 5, 2007

Honorable D. Berry Baxter
Attorney at Law
The Baxter Law Office
115 West Main Street
LaGrange, KY 40031

RE: Case No. 2006-00191

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

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

Beth O'Donnell
Executive Director

BOD/jc
Enclosure



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Merle Brewer
Chairman
Henry County Water District #2
8955 Main Street
P. O. Box 219
Campbellsburg, KY 40011

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James Simpson
Chief Operating Officer
Henry County Water District #2
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Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

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Darlene West
Office Manager
Henry County Water District #2
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

EXAMINATION OF THE OPERATION AND)
REASONABLENESS OF THE OFFSETTING) CASE NO. 2006-00191
IMPROVEMENT CHARGE OF HENRY COUNTY)
WATER DISTRICT NO. 2)

ORDER

The Commission, on its own motion, HEREBY ORDERS that:

1. Any party desiring a hearing in this matter shall file its written request for a hearing with the Commission no later than January 16, 2007.
2. If no written requests for a hearing are received by January 16, 2007, each party to this proceeding shall file a written brief with the Commission no later than February 15, 2007 on the issues presented in this matter. At a minimum, this brief shall address the issues set forth in Appendix A to this Order.
3. No later than January 16, 2007, Henry County Water District No. 2 shall publish the notice set forth in the Appendix in a newspaper of general circulation in each county in which it provides water service.
4. No later than January 31, 2007, Henry County Water District No. 2 shall file with the Commission an affidavit from the publisher verifying that the notice was published, including the dates of the publication with an attached copy of the published notice.

Done at Frankfort, Kentucky, this 5th day of January, 2007.

By the Commission

ATTEST:

Executive Director

Case No. 2006-00191

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00191 January 5, 2007.

Issues to Address in Written Briefs

1. Whether, in determining the reasonableness of the proposed Offsetting Improvement Charge ("OIC"), the Commission should consider the level of Henry County Water District No. 2's ("Henry District") existing rates for general water service?

2. Whether, as a condition to the assessment of a charge such as the OIC, a water utility must be assessing rates for general service that fully recover the cost of providing water service?

3. Whether the use of the proposed OIC is more equitable and reasonable and less administratively burdensome than the use of a fee based upon either the equity and incremental cost methodologies that the American Water Works Association recognizes?

4. a. Whether the assessment of a charge or fee such as the proposed OIC is reasonable only when the assessing water utility is experiencing significant growth?

b. If the assessment is dependent upon a water utility experiencing significant growth, is Henry District experiencing such growth?

5. What consideration, if any, should the Commission when examining the reasonableness of the proposed OIC, give to the revenues that new customers will generate when they begin receiving water service?

6. Whether Henry District's certification to a local planning and zoning commission of the availability of water service to unoccupied and unserved real estate

tracts may serve as a proper basis for denying water service to applicants for water service who meet the published conditions of service and are ready to take such service?

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2006-00191 dated January 5, 2007.

NOTICE

**EXAMINATION OF THE OPERATION AND)
REASONABLENESS OF THE OFFSETTING) CASE NO. 2006-00191
IMPROVEMENT CHARGE OF HENRY COUNTY WATER)
DISTRICT NO. 2)**

By its Order of July 25, 2002, in Case No. 2001-00393, the Public Service Commission authorized Henry County Water District No. 2 to assess for three years an offsetting improvement charge to any residential, agricultural or commercial tract of land when the owner of such tract requests the water utility to certify the availability of water service to such tract to a local planning and zoning commission. On August 11, 2005, Henry County Water District No. 2 advised the Public Service Commission of its intent to continue with the assessment of this charge. The Commission subsequently initiated an investigation into the operation and reasonableness of the charge to determine whether it should continue. During the pendency of this investigation, the Public Service Commission authorized Henry County Water District No. 2 to continue assessing and collecting the offsetting improvement charge.

Henry County Water District No. 2 requires any person who requests the water utility to certify to a local planning and zoning commission the availability of water service to any residential, agricultural or commercial tract of land to pay a fee equal to cost of improvements necessary to offset the hydraulic impact on system water pressures as a result of providing water service to the tract. This fee is currently \$950 per gallon per minute peak flow. Residential lots and agricultural tracts are currently assessed an offsetting improvement charge on the basis of one gallon per minute of peak flow per lot or tract. Commercial, industrial, and other non-residential/agricultural usage shall be evaluated by a specific engineering analysis of peak flow, to which the gallon per minute charge is applied.

Any corporation, association, or person who wishes to submit comments on Henry County Water District No. 2's request to continue assessing its offsetting improvement charge should submit such comments no later than February 15, 2007, to Ms. Beth O'Donnell, Executive Director, Kentucky Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602.

Any person may examine the application and any other filings made by the utility at the Commission's office at 211 Sower Boulevard, Frankfort, Kentucky between 8:30 a.m. and 4:00 p.m. on weekdays or by visiting the Public Service Commission's website at <http://psc.ky.gov/psscscf/2006-00191/>.