



MARY ELLEN WIMBERLY
DIRECT DIAL: (859) 231-3047
DIRECT FAX: (859) 246-3647
MaryEllen.Wimberly@skofirm.com

300 WEST VINE STREET
SUITE 2100
LEXINGTON, KY 40507-1801
MAIN: (859) 231-3000
FAX: (859) 253-1093

RECEIVED

NOV 30 2017

**PUBLIC SERVICE
COMMISSION**

November 30, 2017

Ms. Gwen R. Pinson
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

Re: Case No. 2017-00316
William C. Hill v. Muhlenberg County Water District

Dear Ms. Pinson:

Please find enclosed the original and ten copies of the Answer on Behalf of Muhlenberg County Water District.

In addition, enclosed is a copy for file-stamping. Please return this copy to us in the enclosed self-addressed, postage prepaid envelope.

Should you have any questions, please contact me at your convenience.

Sincerely,

Stoll Keenon Ogden PLLC

A handwritten signature in blue ink that reads "Mary Ellen Wimberly".

Mary Ellen Wimberly

MEW
Enclosures

RECEIVED

NOV 30 2017

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WILLIAM C. HILL)	
)	
COMPLAINANT)	
)	
v.)	
)	CASE NO. 2017-00316
MUHLENBERG COUNTY WATER)	
DISTRICT)	
)	
DEFENDANT)	

ANSWER OF MUHLENBERG COUNTY WATER DISTRICT

In accordance with the Kentucky Public Service Commission’s (“Commission”) Order of November 21, 2017 in the above-captioned proceeding, Muhlenberg County Water District (“Muhlenberg District”) respectfully submits this Answer to the Complaint of William C. Hill (“Complainant”) filed on July 26, 2017. In support of its Answer, Muhlenberg District states as follows:

BACKGROUND

1. Complainant owns a 100-acre tract of land in a very remote portion of Muhlenberg County (the “Hill Property”). The Hill Property is located on the south side of Lake Malone near the Muhlenberg and Todd County line.
2. Muhlenberg District and the Complainant have engaged in on and off discussions of the provision of water service to the Hill Property for several years.

During the majority of these discussions, Muhlenberg District's understanding was that Mr. Hill sought to develop the property and required water service for a 47-lot subdivision. The subdivision plat is attached as **Exhibit 1**.

3. Muhlenberg District's nearest water main to the Hill Property is a 4-inch main located on Kentucky Highway 181 South. This main is nearly four (4) miles from Mr. Hill's driveway. If this line were to be extended to the Hill Property, significant infrastructure improvements will need to be made, including water main upgrades, a booster pump station, and possible additional storage, to ensure adequate, reliable, and safe water service.

4. The Hill Property is located very near a connection to Todd County Water District ("Todd District"). A Todd District 3-inch water main is located along McPherson Road approximately 400 feet southwest from the intersection of Mr. Hill's driveway and McPherson Road. Mr. Hill's driveway (referred to on some maps as "Forest Hills Road") is a private road and is approximately one (1) mile long from the end of the driveway to Mr. Hill's farm house. Muhlenberg District has previously consented to Todd District's provision of water service to areas within Muhlenberg District's territory that are difficult and expensive for Muhlenberg District to serve and that Todd District can serve at a significantly lower cost. Todd District currently serves six (6) households in Muhlenberg County near Mr. Hill's property.

5. Given the distance of the nearest Muhlenberg District main and the proximity of the nearest Todd District main to the Hill Property, Muhlenberg District believes that the most cost-effective method of providing water service to the Hill Property is by Mr. Hill applying for a direct connection to the Todd District system.

ANSWER

6. Muhlenberg District admits the allegations contained in paragraphs (a) and (b) of the Complaint.

7. Muhlenberg District admits that Muhlenberg District sent a letter setting forth conditions for its provision of water service to Complainant. Muhlenberg District placed these conditions upon the provision of water service to Complainant's property to ensure that the extension was reasonable. Without such conditions, the extension would impose unreasonable costs upon Muhlenberg District and its ratepayers.

8. In response to the allegations contained in numbered paragraph 1 of the Complaint, Muhlenberg District admits that it proposed to provide service to Mr. Hill's property at a rate other than that currently set forth in its filed rate schedule because the circumstances and costs of serving Mr. Hill's property differed significantly from those to serve most other Muhlenberg District customers. Without Muhlenberg District assessing a different rate, its other

customers would be significantly subsidizing the cost of serving Mr. Hill's property and the extension of service to the Hill Property would not be reasonable.

9. In response to numbered paragraph 2 of the Complaint, Muhlenberg District admits that it previously proposed as a condition of serving the Hill Property that Mr. Hill purchase 47 water meters, but further states that it no longer requires such purchase as a condition to serving the Hill Property.

10. Muhlenberg District is without sufficient knowledge or information to admit or deny the allegations contained in numbered paragraph 3 of the Complaint. Muhlenberg District affirmatively states that the required minimum volume of water set forth in its proposal to Mr. Hill reflected the minimum volume of water that Todd District proposed to charge Muhlenberg District each month if Todd District served Muhlenberg District through a master meter located at the end of Todd District's water main on McPherson Road in order for Muhlenberg District to service Mr. Hill's proposed subdivision.

11. Muhlenberg District denies all substantive allegations contained in the Complaint which are not expressly admitted in the foregoing paragraphs of this Answer.

AFFIRMATIVE DEFENSE

12. Mr. Hill's requested extension of service is not reasonable. 807 KAR 5:066, Section 11(1) requires a water utility to make an extension of 50 feet or less

to its existing distribution main without charge for a prospective customer who contracts for at least one year of service. When a request for an extension of water main exceeds more than 50 feet per applicant, the water utility may require the total cost of the excessive footage over 50 feet per customer to be deposited with the utility by the applicant or the applicants, based on the average estimated cost per foot of the total extension.¹ The “totality of circumstances surrounding the requested extension,” including the financial effects of the proposed extension, water quality, worker safety, and the maintenance of the facilities after the extension is made, determine whether a requested extension is reasonable.²

13. In Case No. 2010-00049, the Commission denied a requested extension as reasonable because of the significant operation and maintenance costs that would result from that extension. The Commission found that the new service would generate annual revenues of only \$378, but would result in annual costs to the utility of \$4,696, including \$4,590 for main flushing due to the length of the extension and the absence of any significant water usage on that extension.³ The Commission explained: “While an extension of service is not necessarily required to generate revenues equal to or in excess of the cost of service, any extension that results in costs that are significantly greater than the revenues likely to be

¹ 807 KAR 5:066, Section 11(2).

² *In the Matter of Wilmer and Pauline Conn v. Fleming County Water Association*, Case No. 2010-00049, Order at 15 (Ky. PSC June 21, 2011).

³ *Id.* at 18.

generated will not generally be deemed to be reasonable.”⁴ It concluded that “the disparity between revenue and expense is too great to render the extension reasonable.”⁵

14. Complainant’s requested extension is not reasonable. Muhlenberg District’s nearest water main is a 4-inch main located on Kentucky Highway 181 South. This main is nearly four (4) miles from Mr. Hill’s driveway. If this line were to be extended to Mr. Hill’s property, significant infrastructure improvements will need to be made, including water main upgrades, a booster pump station, and possible additional storage to ensure adequate and reliable service. Further, like in Case No. 2010-00049, the cost of flushing the line would greatly exceed the revenue from Mr. Hill’s extension.

PROPOSED REMEDY

15. Muhlenberg District believes that direct connection of the Hill Property to the Todd District system is the most cost-effective method for Mr. Hill to receive water service on his property. As previously stated, a Todd District line is located approximately 400 feet southwest of the intersection of McPherson Road and Mr. Hill’s driveway. Todd District currently serves six (6) households in Muhlenberg County near Mr. Hill’s property. After the filing of this Answer, Muhlenberg District seeks to discuss with Mr. Hill and his counsel the most cost-

⁴ *Id.*

⁵ *Id.*

effective method of Mr. Hill receiving water service at his property. Muhlenberg District is willing to work with Complainant to assist him in receiving water service in the most reasonable manner possible. Muhlenberg District has previously consented to Todd District's provision of water service to areas within Muhlenberg District's territory that Todd District can serve at a significantly lower cost and is willing to consent to Todd District providing water service to the Hill Property.

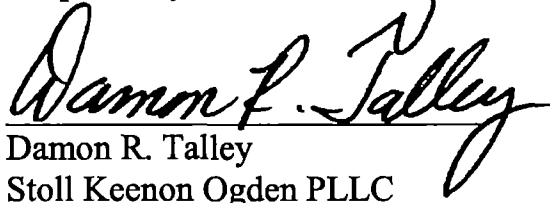
WHEREFORE, for all the reasons set forth above, Muhlenberg District respectfully requests:

- (1) that Mr. Hill apply for water service from Todd County Water District;
- (2) that this matter be closed on the Commission's docket; and
- (3) that Muhlenberg District be afforded any and all other relief to which it may be entitled.

[Remainder of page intentionally left blank]

Dated: November 30, 2017

Respectfully submitted,



Damon R. Talley
Stoll Keenon Ogden PLLC
P.O. Box 150
Hodgenville, KY 42748-0150
Telephone: (270) 358-3187
Fax: (270) 358-9560
damon.talley@skofirm.com

Mary Ellen Wimberly
Gerald E. Wuetcher
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3047
Fax: (859) 246-3647
maryellen.wimberly.skofirm.com
gerald.wuetcher@skofirm.com

*Counsel for Muhlenberg County Water
District*

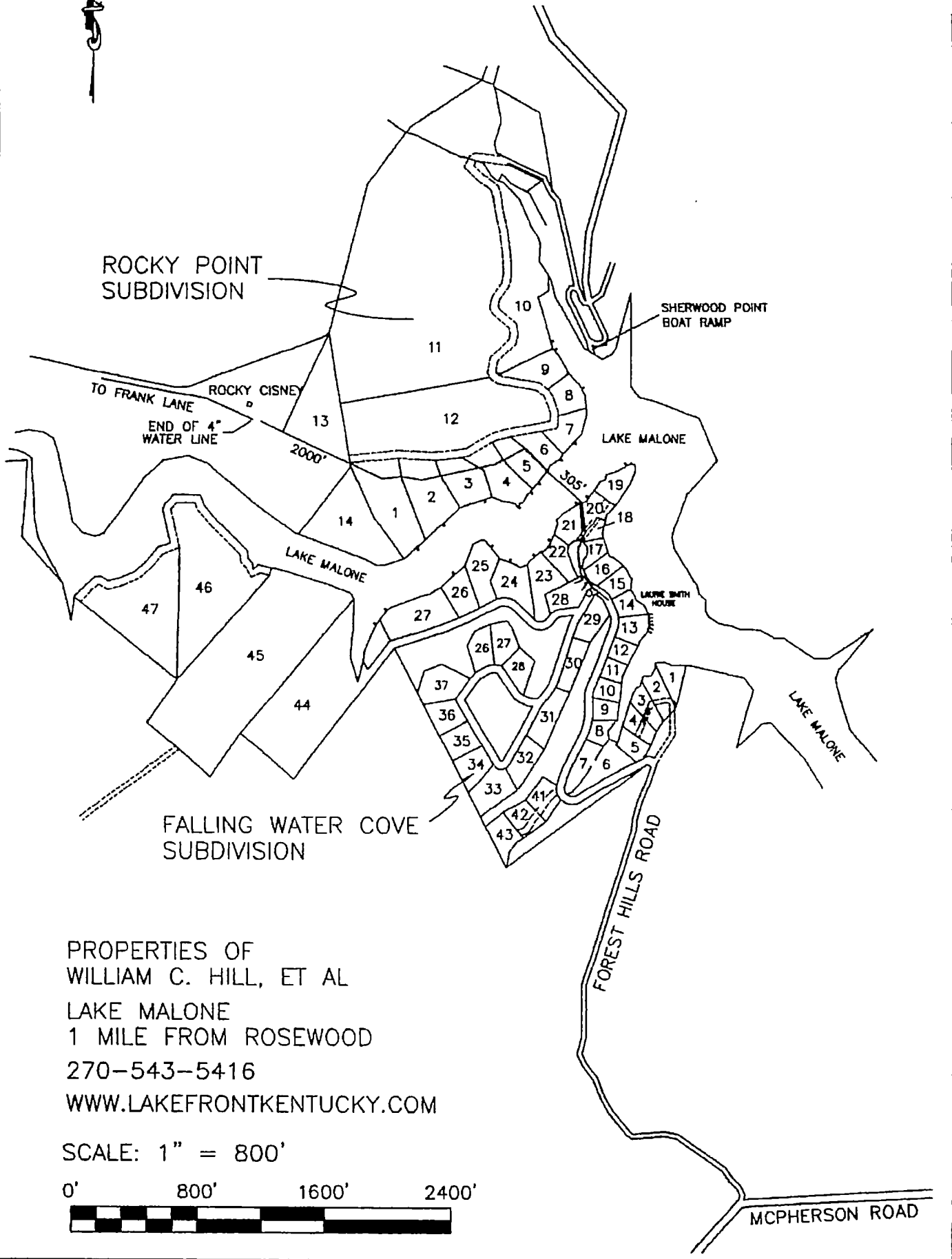
CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct electronic copy of the foregoing Answer was served on the following persons by electronic mail using the electronic mail addresses shown below and a true and correct copy in paper medium of the same was served by placing the same in the U.S. Mail for delivery to the addresses shown below all on the 30th day of November 2017:

M. Evan Buckley
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KY 40504
ebuckley@gosssamfordlaw.com


Damon P. Talley
*Counsel for Muhlenberg County Water
District*

EXHIBIT 1



PROPERTIES OF
 WILLIAM C. HILL, ET AL
 LAKE MALONE
 1 MILE FROM ROSEWOOD
 270-543-5416
 WWW.LAKEFRONTKENTUCKY.COM

SCALE: 1" = 800'

