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January 26, 2001

Mr. Donnie Beavers
Crittenden-Livingston County Water District
Post Office Box 495
Salem, Kentucky 42078

Dear Mr. Beavers:

Commission Staff is in receipt of your letter of January 18, 2001 in which Crittenden-Livingston County Water District ("Crittenden-Livingston") requests guidance regarding a water main extension.

Your letter presents the following facts: In July 1996, several persons contributed to the cost of a water main extension to receive water service from Crittenden-Livingston. The water district now wishes to extend this main extension to provide service to additional persons.

Your letter presents the following issue: What obligations, if any, does Crittenden-Livingston or the persons served by the more recent main extension have to the original applicants who contributed to the original main extension?

Crittenden-Livingston's filed rate schedules state:

(1) An extension of fifty (50) feet or less to the District's distribution main shall be made without charge (other than the prescribed standard connections charge) for a prospective customer who shall apply for and contract to use service for one (1) year or more and who provides a guarantee for such service.

(2) For each extension of the District's service line in excess of fifty (50) feet, the District shall require the customer to whose premises is made to deposit with the District the total cost of the excessive footage over fifty (50) feet, based on the average estimated cost per foot of the



total extension. Such deposit may be refundable to the customer in accordance with [Commission regulations].

Crittenden-Livingston County Water District Original Sheet No. 9.

Administrative Regulation 807 KAR 5:066, Section 11(2) provides:

(a) When an extension of the utility's main to serve an applicant or group of applicants amounts to more than fifty (50) feet per applicant, the utility may if not inconsistent with its filed tariff require the total cost of the excessive footage over fifty (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.

(b) Each customer who paid for service under such extension shall be reimbursed under one (1) of the following plans, which shall be included in the utility's filed tariff:

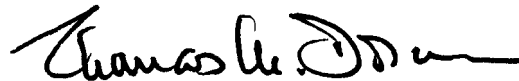
1. Each year, for a refund period of not less than ten (10) years, the utility shall refund to the customer or customers who paid for the excessive footage the cost of fifty (50) feet of the extension in place **for each additional customer connected during the year whose service line is directly connected to the extension** installed and not to extensions or laterals therefrom. Total amount refunded shall not exceed the amount paid the utility. No refund shall be made after the refund period ends.

Based upon the facts stated in your letter, Commission Staff is of the opinion that neither Crittenden-Livingston nor the new customers connecting to the proposed extension are required to make any refunds to the persons who contributed to the cost of the original water main extension. Crittenden-Livingston's filed rate schedules expressly incorporate the Commission's regulations regarding water main extensions. Administrative Regulation 807 KAR 5:066, Section 11, therefore, governs Crittenden-Livingston's obligations concerning refunds. Under this regulation, a water utility is not required to make any refund to the original applicants who contributed the cost of the water main extension for subsequent extensions to the original extension. Refunds are required only when new customers connect their service line directly to the original extension. None of the customers who will be served by the proposed extension will be connecting directly to the original water main extension.

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This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Gerald Wuetcher, Assistant General Counsel, at (502) 564-3940, Extension 259.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Thomas M. Dorman
Executive Director