

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 807 KAR 5:066, SECTION 11, REGARDING)
WATER MAIN EXTENSION REIMBURSEMENTS)

COMMISSION STAFF'S FIRST DATA REQUEST
TO HARDIN COUNTY WATER DISTRICT NO. 1

Pursuant to 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 the date 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. State whether HCWD1 is requesting a deviation from 807 KAR 5:066, Section 11, for all water main extensions regardless of the person or entity for whom the extension is made.

2. State whether HCWD1 is proposing to eliminate refunds to non-real estate subdivision development water main extensions.

3. State whether HCWD1 agrees that it has a statutory duty to extend water service to all persons within its territory regardless of who constructed the residence or the structure being served. Explain.

4. State whether it is HCWD1's position that a water district has no obligation to finance or pay any portion of a water main extension that will serve additional customers. Explain.

5. Provide a copy of all of HCWD1's internal policies and procedures regarding the reimbursement of the costs of water main extensions.

6. Provide a copy of all correspondence, internal memoranda, electronic mail messages, and other internal documents in which HCWD1's officials discuss HCWD1's existing water main distribution policies and procedures, their effect on the water district, or revisions to those policies and procedures.

7. Provide a copy of the minutes of all meetings of HCWD1's Board of Commissioners in which the issue of refunds to developers for real estate subdivision development water main extensions was discussed.

8. State whether HCWD1 agrees with the following statement: "The practical effect of approving HCWD1's proposal is the elimination of any mandatory obligation of HCWD1 to fund or contribute to the funding of any water main extension."

9. State whether HCWD1 agrees that a water utility has an obligation to plan for customer growth in its service territory and to construct the necessary facilities to serve that growth. Explain.

10. a. State whether, in HCWD1's opinion, a water utility's existing customers should not be required to bear any costs associated with the construction of water mains to serve new customers. Explain.

b. State whether, in HCWD1's opinion, a water utility's new customers who are in located in areas to which water mains have recently been extended have any obligation to support or finance the replacement of existing water mains that serve customers who are located in areas that the water utility has long served.

11. State whether HCWD1 has published notice of application for a deviation from 807 KAR 5:066, Section 11. If no, explain why not.

12. Describe the efforts that HCWD1 has made to provide public notice of its application for a deviation from 807 KAR 5:066, Section 11. State whether these efforts include notice to local real estate subdivision developers and home builder associations.

13. State whether HCWD1 uses a standardized water main extension reimbursement agreement. If HCWD1 uses a standardized agreement, provide a copy of this agreement.

14. Provide a copy of all water main extension reimbursement agreements entered into by HCWD1 since 1996.

15. Refer to HCWD1's application at Paragraph 7. Provide all studies and analyses upon which HCWD1 relies for the proposition that "[d]evelopments are financed and planned by developers, who are able to recover all their development costs through the sale of lots within the subdivision."

16. State whether HCWD1 agrees with the following statement: "The local real estate market determines the price that a real estate subdivision developer receives for the cost of a lot within the real estate subdivision development." Explain.

17. Describe the actions that a real estate subdivision developer must take to obtain a refund or reimbursement from HCWD1 when a connection is made to a water main extension that serves his real estate subdivision development.

18. State the length of the refund period that HCWD1 currently uses for refunds to real estate subdivision developers who construct or pay for water main extensions to their real estate subdivision developments.

19. State the length of time that normally elapses between the connection to a water main extension that a real estate subdivision developer donated to the water district and HCWD1's issuance of a refund to the developer.

20. State the number of times during a calendar year that HCWD1 will make refunds or reimbursements to a real estate subdivision developer for connections made to a water main extension that serves his real estate subdivision development.

21. 807 KAR 5:066, Section 11(3), provides that a water utility must "refund to the applicant who paid for the extension a sum equal to the cost of fifty (50) feet of the extension installed for each new customer connected during the year whose service line is directly connected to the extension installed by the developer."

a. Describe how HCWD1 defines "new customer" for purposes of making refunds to real estate subdivision developers.

b. Describe how HCWD1 defines "connected" for purposes of making refunds to real estate subdivision developers.

22. At Paragraph 9 of its application, HCWD1 states: Developer's [sic] have also discovered that pre-paying for water taps (for homes not started or construction not completed) will trigger the WME [water main extension] reimbursements immediately, requiring the District to use its reserves immediately."

a. Define "pre-paying for water taps."

b. State whether the prepayment includes a commitment on the part of the payor to take service from HCWD1 for a period of at least 1 year from the date of the prepayment.

c. Explain why, in HCWD1's opinion, a water utility must make a reimbursement or refund to the real estate subdivision developer when a tap is paid if the structure or facility that will use the water has not yet been constructed.

d. State whether HCWD1 has considered adopting a rule that provides that a connection to a water main extension occurs only after 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 1 year. If no, explain.

e. State whether, in HCWD1's opinion, the adoption of such rule would reduce the rate at which reimbursements are made and the severity of the problems of which HCWD1 complains.

23. Describe how HCWD1 determines the value of the water main extension and related facilities that a real estate subdivision developer constructs and donates to HCWD1.

24. Describe the proof that HCWD1 requires a real estate subdivision developer to produce in support of his claim for reimbursement.

25. Describe the processes or procedures that HCWD1 uses when HCWD1 and a real estate subdivision developer cannot agree upon the cost of the water main extension.

26. List and describe each instance since 1996 in which HCWD1 disagreed with a real estate subdivision developer about the cost of a water main extension. The

description of each dispute should, at a minimum, contain the name of the developer, the size of the extension, each party's initial position on the cost of the extension, the final outcome of the dispute, and the method(s) used to resolve the dispute.

27. a. State whether HCWD1 has considered placing any restrictions on the labor costs that may be included in the cost of the water main extensions performed by real estate subdivision developers.

b. If yes, describe these restrictions and explain why HCWD1 has not implemented them.

c. If no, explain why HCWD1 has not considered such restrictions.

28. a. State whether HCWD1 has considered prohibiting real estate subdivision developers from constructing water main extensions to the developer's proposed subdivision and requiring that HCWD1 personnel or contractors be used instead.

b. If yes, explain why HCWD1 did not adopt such a prohibition.

c. If no, explain why HCWD1 did not consider such a prohibition.

29. Describe all accounting entries made to HCWD1's financial records when a real estate subdivision developer donates a water main extension to HCWD1.

30. a. State whether HCWD1 has considered revising its present refund/reimbursement policy to require a refund/reimbursement for a water main extension to a real estate subdivision development based upon the average footage of main extension per subdivision lot. (For example, if total main extension was 500 feet and total number of lots within the real estate subdivision development was 25, the water utility would refund to the developer the cost of 20 feet of the main extension rather than the cost of 50 feet.)

b. State whether, in HCWD1's opinion, the adoption of such rule would reduce the rate at which reimbursements are made and the severity of the problems of which HCWD1 complains. Explain.

31. Describe all accounting entries made to HCWD1's financial records when HCWD1 makes a reimbursement to a real estate subdivision developer for connections made to a donated water main extension.

32. Describe all accounting entries made to HCWD1's financial records when the 10-year reimbursement/refund period has ended and the entire cost of water main extension to the real estate subdivision development has not been reimbursed to the developer.

33. Indicate where in its annual financial and statistical report to the Commission HCWD1 records and reports its potential refund/reimbursement liability for water main extensions.

34. At Paragraph 8 of its application, HCWD1 states: "Delaying refunds could cause balance sheet liability to increase substantially, decreasing the District's ability to raise capital or issue new debt [footnote and reference omitted]." Explain.

35. Refer to HCWD1's application at 28. Provide all studies, analyses, and reports upon which Table 2 is based.

36. Refer to HCWD1's application at Paragraph 11. Provide all studies, analyses, and reports upon which HCWD1 is relying to project future customer growth in its territory.

37. 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.

38. Refer to HCWD1's application at Exhibit C. State the basis for HCWD1's estimate that 750 customers will be added to its system in the last 8 months of 2006.

39. Refer to HCWD1's application at Paragraph 12. State the basis for HCWD1's statement that Hardin County Water District No. 2 and Meade County Water District do not currently provide refunds to real estate subdivision developers. Identify all employees and representatives from those water utilities that HCWD1 contacted regarding their refunding/reimbursement practices.

40. State for each of the last 10 calendar years the total value of water distribution assets that real estate subdivision developers donated or contributed to HCWD1 in conjunction with the extension of water service to the real estate subdivision.

41. List each request for rate adjustment that HCWD1 has made to the Commission in the last 10 years. For each request, state the amount of the requested adjustment and describe the role that refunds to real estate subdivision developers played in HCWD1's request.

42. List for each of the last 10 calendar years the amount of funds that HCWD1 expended annually for non-real estate subdivision development water main extensions.


43. List for each of the last 10 calendar years the total dollar amount of grants and loans that HCWD1 has received from federal and state sources for water main extensions.

44. State the average annual net revenue that a customer generates for HCWD1.

45. State for each year in which HCWD1 made refunds to real estate developers for connections to water main extensions in their subdivision the number of connections for which a refund was paid.

46. Refer to HCWD1's application at Exhibit D. Provide a revised process flow analysis for water main extensions that assumes no requirement for reimbursements or refunds to real estate subdivision developers.

47. State the additional number of customers that HCWD1 expects to obtain from real estate subdivision development extensions and the amount of additional net operating revenues that these customers will generate. Provide the calculations and state assumptions that HCWD1 used to derive its response.



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DATED: July 7, 2006

cc: Parties of Record