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Water Treatment Plant:  
3278 Morton Ridge Road  
Bedford, Ky 40006  
Telephone:  
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(502) 255-0347

April 19, 2006

Ms. Beth O'Donnell, Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602

RECEIVED  
APR 21 2006  
PUBLIC SERVICE  
COMMISSION

Re: *Offsetting Improvement Charge (OIC) Tariff  
Henry County Water District No. 2 (HCWD2)*

Dear Ms. O'Donnell,

*Case No. 2006-00191*

In 1999 our water district began working on an Offsetting Improvement Charge Tariff. The concept was straightforward: determine the cost of installing larger diameter water distribution lines in the HCWD2 system, divide by the number of gallons per minute of additional flow these larger lines provide, and find the average cost of serving one gpm of new demand. This would be the basis of a fee by which development would offset its impact on the hydraulics of the distribution system.

In preliminary discussions with PSC staff, we were told that although our approach seemed reasonable, we should wait to submit our tariff because the Commission was planning an extensive examination of system development charges (administrative case 375). Therefore we waited two years and submitted the OIC tariff on November 6, 2001. After an extensive review in PSC Case 2001-00393, it was approved September 3, 2002, for a three year period.

During these three years we have complied with all the self-monitoring requirements of the tariff by submitting to the PSC a complete annual accounting of fees collected, a biennial OIC recalculation, and prioritizations of proposed hydraulic projects. On July 14, 2005 we wrote the PSC to request that the OIC tariff be made permanent, but we were advised that we should make a new tariff submittal. So we incorporated a clarification of land use categories which was suggested to us in 2004 by Thomas Dorman, and submitted our new OIC tariff on August 3, 2005. We have received no response.

In Case 2001-0393, we addressed twenty-three PSC Staff Interrogatories, submitted exhibits of the engineering method and cost calculations which we proposed to use, and met in Frankfort to discuss the concepts involved. Since approval of the tariff we have continued to provide the PSC with information on the functioning of the tariff. All monies collected via the OIC (now over \$300,000) will be used in a badly needed construction project this summer which will install larger lines in the top two hydraulic priority areas as submitted to the PSC with our biennial OIC recalculation, January 12, 2005.

The HCWD2 Commissioners feel strongly that we best serve our customers by requiring that growth in our system pay its fair share of the cost of waterline upgrades. Our experience with this tariff is that it is both equitable and effective, and we are writing to request the expedited approval of the OIC tariff.

Sincerely,



Merle Brewer, Chairman  
Henry County Water District No. 2

pc Jimmy Simpson, HCWD2  
David Spenard, Assistant Attorney General  
Berry Baxter, HCWD2 Attorney

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August 3, 2005

Mr. Brent Kirtley  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602

AUG 11 2005

Case 2005-00396

RE: *Offsetting Improvement Charge Tariff (OIC)*  
*Henry County Water District No. 2 (HCWD2)*

Dear Mr. Kirtley,

As requested in your recent phone conversation with Jimmy Simpson of HCWD2, the District is submitting the enclosed OIC tariff for Public Service Commission approval.

The cost of the OIC has been recalculated as the tariff stipulates, and has been lowered from \$980 to \$950 as we explained in our letter of January 12, 2005. This change has been included in the language of the enclosed tariff, as have clarifications to the categories of usage, as suggested to us by the PSC last year.

Please contact us if any further information is needed. In order to insure consistency and fairness to water service applicants, the District will assume that the existing OIC may remain in effect until the PSC notifies us of the status of this submittal.

Sincerely,

A handwritten signature in black ink, appearing to read "James Simpson".

James Simpson  
Chief Operating Officer  
Henry County Water District # 2

cc: David Spenard, Assistant Attorney General  
Berry Baxter, HCWD2 Attorney  
Tom Green, Tetra Tech

FOR Henry, Trimble, Carroll, Shelby and Oldham  
Counties in Kentucky

Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

HENRY COUNTY WATER DISTRICT #2

(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

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It is the policy of the District that development should pay to offset its hydraulic impact on the water distribution system, rather than such costs being paid by the District's customers. Development shall be defined as any previously unserved lot or lots, or other unserved tract of land, or any proposed change of usage (including, but not limited to, commercial or industrial use of land). This rule shall not apply to lots or tracts for which the District has previously certified water availability, unless a change of usage is proposed. This rule shall apply equally to all areas of the District's service area, regardless of county.

Development shall be required to offset its hydraulic impact on the system's minimum daily water pressures by means of water line improvements to the distribution system. The cost of these offsetting improvements, per unit of peak flow in gallons per minute, shall be calculated biennially by the District's accountant and engineer as the average cost per unit of peak flow resulting from all hydraulic improvement projects evaluated during the preceding four years. These projects shall be evaluated in terms of their resultant improvement in minimum daily pressures and the increase in gallons per minute of peak flow which can be accommodated by virtue of these improvements. The total cost of these projects, divided by the total associated peak flow in gallons per minute, shall determine the charge per gallon per minute of peak flow to be paid by development. The results of this biennial calculation shall be submitted to the District's Board of Commissioners for their review and approval and to the Public Service Commission. The current Offsetting Improvement Charge (OIC) shall be in the sum of \$950.00 per gallon per minute peak flow.

Residential lots and agricultural tracts shall be charged on the basis of one gallon per minute of peak flow per lot or tract. The District shall not certify water availability on final plats until the charge for the entire subdivision

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DATE OF ISSUE 8-2-05  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_  
Month / Date / Year

ISSUED BY Louise Simpson  
(Signature of Officer)

TITLE CHIEF OPERATING OFFICER

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

FOR Henry, Trimble, Carroll, Shelby and Oldham  
Counties in Kentucky

Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

HENRY COUNTY WATER DISTRICT #2  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

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CONTENTS

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has been received. If the number of lots or tracts is revised at a later date the utility shall refund any over-collection.

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 shall be applied. Water service to such types of development shall not be provided until the charge has been received.

All developments shall require a preliminary hydraulic analysis to identify offsetting improvement projects. These projects shall be added to the database of hydraulic improvements for biennial average calculation of the offsetting improvement charge per gallon per minute of peak flow.

Offsetting improvement charges shall be placed in an escrow account and shall be used only for water line projects which improve hydraulic conditions in the distribution system. At the end of each year the District shall submit to the Public Service Commission a list of all offsetting improvement charges collected and an accounting of all expenditures from said escrow account for hydraulic improvement projects.

The offsetting improvement charge shall apply in cases where the proposed development would not reduce pressures below the required 30 psi state minimum. In cases where pressures would be reduced below the minimum level, the developer shall make improvements to the distribution system to the extent necessary to specifically offset the developers impact. Such improvements shall be made by the developer in lieu of the offsetting improvement charge. In addition, if the improvements made by the developer have the effect of

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DATE OF ISSUE 8-2-05  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_  
Month / Date / Year

ISSUED BY James W. Johnson  
(Signature of Officer)

TITLE CHIEF OPERATING OFFICER

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

FOR Henry, Trimble, Carroll, Shelby and Oldham  
Counties in Kentucky

Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

HENRY COUNTY WATER DISTRICT #2  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

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CONTENTS

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restoration above previously existing pressure levels, the developer shall receive an offsetting credit for such excess.

At the time of each biennial offsetting improvement charge recalculation, the District shall also supply the Public Service Commission with a written long-term construction plan for the proposed use of proceeds from the offsetting improvement charge. This construction plan shall be compiled and prioritized to include distribution system improvements in those areas of the district which are experiencing both growth and low pressures. Growth, low pressure, and cost-effectiveness shall be the only allowable criteria. No projects will be included which repair lines, construct pumps, tanks, etc., or extend service (unless such extension closes a hydraulic loop and increases pressure).

The possibility of the OIC tariff providing benefits to existing customers shall also be reviewed as part of the District's biennial submittal to the PSC. Since this charge is calculated strictly on the basis of development restoring its specific hydraulic impact, existing customers system-wide should receive no net benefit beyond the maintaining of the status quo. Those existing customers who may experience better pressures on roads with both development and OIC-financed improvements should be counterbalanced by those existing customers who experience lower pressures on roads with development, but where no OIC projects have been constructed.

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DATE OF ISSUE 8-2-05  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_  
Month / Date / Year

ISSUED BY James T. Simpson  
(Signature of Officer)

TITLE Chief Operations Officer

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

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July 14, 2005

Mr. Thomas Dorman, Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602

RECEIVED

JUL 18 2005

Case 2005-00396

Re: *Offsetting Improvement Charge Tariff (OIC)*  
*Henry County Water District No. 2 (HCWD2)*

Dear Mr. Dorman,

HCWD2 greatly appreciates the efforts of the Public Service Commission in evaluating and providing initial three-year approval for our OIC tariff. This tariff has generated over \$270,000, funds which will now enable us to undertake a much-needed hydraulic improvement project. The District has not had to contemplate raising water rates, and the OIC tariff is an important reason.

We hope our yearly accountings, long-term project listing, and biennial fee recalculation have provided sufficient information for the permanent approval of our tariff, which we believe strikes an equitable balance between the demands of growth and the water rates which all our customers must pay.

In order to maintain fairness and consistency in the charges paid by water service applicants during the next several months, the District requests that the Commission renew this tariff at the end of its initial three year approval period, or extend the initial approval until your renewal is issued.

Please contact us if we can provide any further information.

Sincerely,

Merle Brewer, Chairman  
Henry County Water District No. 2

pc David Spenard, Assistant Attorney General  
Jimmy Simpson, HCWD2  
Berry Baxter, HCWD2 Attorney  
Tom Green, Tetra Tech



P.O. Box 219  
Campbellsburg, KY 40011-0219



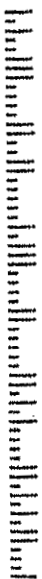
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JUL 1 8 2005

POSTAGE SERVICE  
CAMPBELLSBURG, KY

Mr. Thomas Dorman, Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602

40602-0615





COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF HENRY COUNTY WATER )	
DISTRICT NO. 2 TO ADD TARIFF LANGUAGE FOR )	CASE NO.
AN OFFSETTING IMPROVEMENT CHARGE )	2001-00393

ORDER

On November 6, 2001, Henry County Water District No. 2 ("Henry District") filed with the Commission revisions to its tariff to allow for the collection of an "Offsetting Improvement Charge." On November 13, 2001, the Commission entered an Order establishing this case in order to determine the reasonableness of the proposed charge. An informal conference was held on February 26, 2002 with Commission Staff, Henry District and the Office of the Attorney General ("AG") attending. At the informal conference, it was determined that a hearing was unnecessary in this proceeding and all parties were given an opportunity to file briefs. On March 13, 2002, Henry District filed an amended tariff. Henry District did not file a brief. The AG filed his brief on April 15, 2002.

Henry District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that provide water service to 5,431 customers in Henry, Trimble, Oldham, Carroll, and Shelby counties, Kentucky. As of December 31, 2001, it had net utility plant of \$13,530,955. For the year ending December 31, 2001, Henry District had operating revenues of \$2,662,641, operating expenses of \$478,575, and net income of \$38,422.

In 2000, Henry District began the practice of requiring new customers to pay an Offsetting Improvement Charge as a condition to receiving service. It determined this charge by calculating the potential customer's effect on minimum daily water flow in the general vicinity of the potential customer's location and estimating the cost of facility improvements to return water pressure to its prior level. The water district determined the cost of these improvements based upon the cost of previous water main improvements or additions during a 4-year period and the increase in peak flow that resulted from these improvements. Dividing the total cost by the total increase in peak flow, Henry District calculated an offsetting charge of \$980 per gallon per minute of flow loss as a result of the addition.

Initially Henry District imposed this Offsetting Improvement Charge through special contracts. It required all customers who requested service to execute contracts that required the payment of the Offsetting Improvement Charge even in those instances where the water district's existing facilities were adequate to support the additional customers. To ensure that no revenues from the proposed Offsetting Improvement Charge would be lost while the Commission reviewed the proposed charge, Henry District has refused to certify the availability of water service to any proposed development while the Commission's review is pending.

Henry District proposes to assess the Offsetting Improvement Charge to any customer that connects to its system after the effective date of the tariff or to any real estate developer that proposes a real estate development that the water district would serve. The real estate developer would be assessed at the time the water district certifies to a planning and zoning commission that it will provide water service to the

proposed real estate development. The charge would be based upon the number of lots set forth in the proposed subdivision plans. At the time the developer requests certification, the water district would prepare a hydraulic analysis that models the expected loss in water pressure that would result from the additional customers. The developer would pay the cost of the proposed analysis as well as a charge based upon the amount of loss resulting from the proposed connections. This charge would be assessed even if existing facilities could serve the proposed real estate subdivision. For non-industrial or commercial customers who are not real estate developers, the water district would assess a charge based upon the loss of one gallon per minute of peak water flow per lot. For industrial and commercial customers, it would assess a charge based upon the loss of one gallon per minute of peak water.

The water district intends to calculate the charge based upon the cost and improvements in water flow brought by the water district's improvement projects over a 4-year period. The water district totals the cost of these projects and totals the increase in water flow that results from each of these improvements. It then divides total expenditures by total peak flow to obtain a cost per gallon per minute. This charge is then multiplied by the expected reduction in gallons per minute flow to obtain the total Offsetting Improvement Charge. All customers connecting to the system would be charged the same amount. The water district proposes to recalculate the Offsetting Improvement Charge biennially.

The following example is used to illustrate how the charge is calculated and assessed. During the past 4 years, Henry District constructed a water main improvement or extension project that cost \$30,000 and increased peak water flow

rates by 30 gallons per minute. Based upon this project, the Offsetting System Charge would be \$1,000.<sup>1</sup> If a real estate developer requests certification for a 20-lot subdivision, the water district would assess a charge of \$20,000.<sup>2</sup> If a commercial customer requested a connection that would reduce peak water flow by 30 gallons per minute, it would be assessed a charge of \$30,000.<sup>3</sup>

Henry District proposes to place all collected charges in an escrow account and to use monies from this account only for water line projects that improve hydraulic conditions in the distribution system. It states that it will provide the Commission with an accounting of all expenditures from the escrow account. The water district will determine the uses of the proceeds based upon "hydraulic need and cost-effectiveness."

In his brief the AG asserts that Henry District's proposal falls within the definition of a system development charge.<sup>4</sup> The AG further states that it appears that the goal of the Offsetting Improvement Charge is to maintain the status quo of the distribution system by affording cost recovery for development. The AG maintains that the charge does not represent an effort by the utility to recover indirectly through a surcharge an amount that is recoverable through a general rate increase. The function of the charge is not to replace or otherwise fund maintenance so that the system will continue as

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<sup>1</sup> Total cost of the improvement projects (\$30,000) ÷ Total improvement in water flow (30 gpm) = \$1,000 per gpm.

<sup>2</sup> Offsetting Improvement Charge x Number of Lots x Loss of water flow (gpm) = \$1,000 per gpm x 20 lots x 1 gpm loss/lot = \$20,000. The development is assumed to reduce peak flow by 1 gpm per lot.

<sup>3</sup> Offsetting Improvement Charge x Loss of water flow (gpm) = \$1,000 per gpm x 30 gpm loss = \$30,000.

<sup>4</sup> AG's Brief at 4.

originally designed, but to enable the system to continue to provide adequate service despite additional customer requirements.<sup>5</sup> The AG declined to offer comment regarding whether the evidence satisfies the criteria set out in Administrative Regulation 807 KAR 5:090, which governs system development charges.

The Commission agrees with Henry District that the proposed charge may reasonably be used to avoid rate increases to finance water main extensions and upsizing. In areas experiencing significant growth it is inappropriate to expect current customers to pay for demands new development places on a system.

The water main improvements funded by the proposed charge will not be limited to one area but will be located throughout the water district's service area. Henry District has stated that most of the water mains being replaced are 3-inch water mains that are being replaced by 6-inch mains. The physics of water transmission result in reduced system performance if part of the system fails, even if that part is located many miles away from the new development. Owing to the systemic nature of water systems, it is not uncommon to view the entire system as benefiting new development even though system development charges paid by new development may be expended many miles away from such development.

It is acceptable for funds collected from those who request expansion to be used to maintain a consistent level of service throughout a utility's service territory. For example, system development charges collected in service areas with excess capacity may be used to remedy deficiencies in other service areas. The use of funds in this

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<sup>5</sup> Id. at 5.

manner allows the utility to bring about a more uniform level of service to all areas of the water district.

Despite our general agreement with the rationale supporting the charge proposed herein by Henry District, we do have some concerns regarding the proposed tariff filing. The proposed tariff provides no means of distinguishing how the construction of system line improvements may benefit existing customers; nor does it contain a provision addressing the need to measure the effects of those improvements, or the proposed charge, upon existing customers. The proposed tariff filing also lacks controls regarding the use of proceeds of the proposed charge. Henry District has no long-term plan for the construction of water mains. It has no criteria for locating or upsizing water mains. Moreover, under the proposed plan, the district has complete discretion as to the location of new facilities. Thus, the potential for arbitrary decision-making is very high. The Commission expects Henry District to revise its tariff filing within the next 12 months to address these concerns.

We conclude that the Offsetting Improvement Charge appears to be in the public interest in that it will benefit both Henry District and its customers. However, because the proposed charge presents a case of first impression for the Commission, we believe that it should be established for an initial 3-year period only, after which we will conduct a full review of the operation of the program and determine whether it should be renewed. We also place Henry District on notice that the Offsetting Improvement Charge may not be required of applicants who have applied for service prior to the effective date of the Offsetting Improvement Charge tariff.

Finally, we note that the decision reached by the Commission in this case is, and in all future cases will be, based on the specific facts of the case before it. This decision is not, and shall not be construed as, a statement of broad general applicability.

For the foregoing reasons, we authorize a modified Offsetting Improvement Charge, as described in Appendix A. If Henry District accepts the language contained in Appendix A, it shall so notify the Commission within 10 days from the date of this Order, and it shall file its tariff in accordance with Appendix A within 30 days of the date of this Order.

IT IS THEREFORE ORDERED that:

1. The Offsetting Improvement Charge as filed by Henry District is denied.
2. The Offsetting Improvement Charge as set out in Appendix A to this Order is hereby approved for a period of 3 years from the date of this Order.
3. Within 30 days from the date of this Order, Henry District shall, if it accepts the modifications contained in Appendix A to this Order, file its tariff in accordance with such modifications.
4. Within 12 months from the date of this Order, Henry District shall amend its Offsetting Improvement Charge tariff to include a provision for a long-range construction plan; a method to determine the benefits existing customers receive from any system improvements; and criteria to be used for locating or upsizing mains.

Done at Frankfort, Kentucky, this 25<sup>th</sup> day of July, 2002.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas H. [unclear]", written over a horizontal line.

Executive Director



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2001-00393 DATED July 25, 2002

FOR \_\_\_\_\_  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Henry County Water District  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

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RULES AND REGULATIONS

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OFFSETTING IMPROVEMENT CHARGE

It is the policy of the District that development should pay to offset its hydraulic impact on the water distribution system, rather than such costs being paid by the District's customers. Development shall be defined as any previously unserved lot or lots, or other unserved tract of land, or any proposed commercial or industrial use of land. This rule shall not apply to lots in subdivisions for which the District has previously certified water availability. This rule shall apply equally to all areas of the District's service area, regardless of county.

Development shall be required to offset its hydraulic impact on the system's minimum daily water pressures by means of water line improvements to the distribution system. The cost of these offsetting improvements, per unit of peak flow in gallons per minute, shall be calculated biennially by the District's accountant and engineer as the average cost per unit of peak flow resulting from all hydraulic improvement projects evaluated during the preceding four years. These projects shall be evaluated in terms of their resultant improvement in minimum daily pressures and the increase in gallons per minute of peak flow which can be accommodated by virtue of these improvements. The total cost of these projects, divided by the total associated peak flow in gallons per minute, shall determine the charge per gallon per minute of peak flow to be paid by development. The results of this biennial calculation shall be submitted to the District's Board of Commissioners for their review and approval and to the Public Service Commission.

Residential development shall be charged on the basis of one gallon per minute of peak flow per lot. Water service to industrial lots shall not be provided until the Offsetting Improvement Charge has been received. The District shall not certify water availability on final plats until the charge for the entire subdivision has been received. If the number of plats is revised at a later date the utility shall refund any overcollection. In addition, if the improvements paid by the

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DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

DATE EFFECTIVE \_\_\_\_\_  
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ISSUED BY \_\_\_\_\_  
(Signature of Officer)

TITLE \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

FOR \_\_\_\_\_  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

Henry County Water District  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

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RULES AND REGULATIONS

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developer have the effect of restoration above 30 p.s.i., the developer shall receive an offsetting credit for such excess.

Commercial and Industrial developments shall be evaluated by a specific engineering analysis of their peak flow, to which the gallon per minute charge shall be applied. Water service to Commercial and Industrial developments shall not be provided until the charge has been received.

All developments shall require a preliminary hydraulic analysis to identify offsetting improvement projects. These projects shall be added to the database of hydraulic improvements for biennial average calculation of the offsetting improvement charge per gallon per minute of peak flow.

Offsetting improvement charges shall be placed in an escrow account and shall be used only for water line projects which improve hydraulic conditions in the distribution system. At the end of each year the District shall submit to the Public Service Commission a list of all offsetting improvement charges collected, and an accounting of all expenditures from said escrow account for hydraulic improvement projects. Such projects shall be prioritized by the District on the basis of hydraulic need and cost effectiveness.

The offsetting improvement charge shall apply in cases where the proposed development would not reduce pressures below the required 30 psi state minimum. In cases where pressures would be reduced below the minimum level, the developer shall make improvements to the distribution system to the extent necessary to specifically offset the developers impact. Such improvements shall be made by the developer in lieu of the offsetting improvement charge.

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Henry County Water District \_\_\_\_\_  
(Name of Utility)

CANCELLING P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

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RULES AND REGULATIONS

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Each year the district shall supply the Public Service Commission with a written long term plan for the use of proceeds from the offsetting improvement charge. The water main improvement plan shall identify needed improvements to maintain pressure and a ranking in order of priority given to the improvement.

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DATE OF ISSUE \_\_\_\_\_  
Month / Date / Year

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Month / Date / Year

ISSUED BY \_\_\_\_\_  
(Signature of Officer)

TITLE \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_