

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENTON COUNTY)	
WATER DISTRICT NO. 1 FOR RATE)	CASE NO. 91-025
ADJUSTMENTS FOR NON-RECURRING CHARGES)	

O R D E R

On January 22, 1991, Kenton County Water District No. 1 ("Kenton No. 1") filed an application with the Commission requesting an increase in its tap-on fees for 5/8 inch meter connections from \$370 to \$750 and for 1 inch meter connections from \$700 to \$1,100. In an Order dated February 11, 1991, the Commission suspended the proposed fees for 5 months from the proposed effective date up to and including July 31, 1991. In Orders dated February 7, 1991 and March 20, 1991, respectively, the Commission granted the Attorney General of the Commonwealth of Kentucky full intervention, and The Home Builders Association of Northern Kentucky, Inc. ("Home Builders Association") limited intervention in this proceeding. On April 2, 1991, the Commission issued an order requesting further data from Kenton No. 1. Kenton No. 1 filed its response on April 16, 1991.

A hearing was held in this proceeding on May 31, 1991. The Attorney General's Office did not participate in the hearing. The Home Builders Association was not represented by an attorney, but Don Wiedeman, Executive Director, offered public comments for the record.

The comments offered by the Home Builders Association concerned the potential for cross-subsidization between new customers in new subdivisions and those in urban areas and further, that increased revenues from water sales for those new customers should be considered in establishing a tap-on charge. Non-recurring charges in general and tap-on fees specifically should be based on systemwide averages of the actual costs incurred to provide a given service. Non-recurring charges are ideally revenue neutral and are designed so that when the activity is completed no additional charges need be incurred. Recognizing any potential for cross-subsidization within a class defeats the purpose of establishing a non-recurring charge. Inasmuch as 807 KAR 5:011, Section 10, requires that these charges be limited to the specific activity, additional water rate revenues to be generated by new customers may not be considered by the Commission in this case.

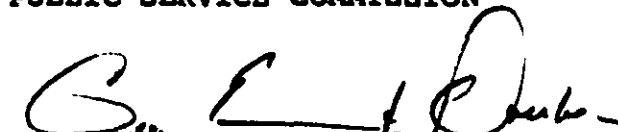
The Commission, having considered the evidence of record and being sufficiently advised, finds that the fees for Kenton's 5/8 inch and 1 inch meter connections reflect the average actual cost of the service provided, are reasonable, and should be approved.


IT IS THEREFORE ORDERED that:

1. Kenton No. 1's meter tap-on fees be increased as set out in Appendix A, which is attached hereto and incorporated herein.
2. Within 30 days of the date of this Order, Kenton No. 1 shall file revised tariffs setting forth the rates approved herein.

Done at Frankfort, Kentucky, this 16th day of August, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 91-025 DATED 8/16/91

The following rates and charges are prescribed for the customers in the area served by Kenton County Water District No. 1. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Meter Tap-On Fees

5/8 Inch Meters	\$ 750.00
1 Inch Meters	1,100.00