

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|------------|
| THE APPLICATION OF THE COUNTY OF BOONE, |) | |
| KENTUCKY TO THE KENTUCKY PUBLIC SERVICE |) | |
| COMMISSION REQUESTING A CERTIFICATE OF |) | |
| CONVENIENCE AND NECESSITY FOR THE |) | CASE NO. |
| CONSTRUCTION OF A PUBLIC WATER |) | 2002-00085 |
| DISTRIBUTION SYSTEM IN AN UNSERVED AREA |) | |
| OF SOUTHERN BOONE COUNTY |) | |

O R D E R

On March 15, 2002, County of Boone, Kentucky (County of Boone) submitted an application for (1) a Certificate of Public Convenience and Necessity to construct a water distribution system in an unserved area of Boone County, (2) approval of its plan of financing for the project, and (3) approval of the rates and charges for the customers to be served by the water line extensions.

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, was granted full intervention in this proceeding on May 14, 2002. He has neither engaged in any discovery nor requested a hearing in this matter.

KRS 278.010(3) defines utility as any person except . . . a city, who owns, controls, operates, or manages any facility used or to be used for or in connection with . . . [t]he diverting, developing, pumping, impounding, distributing, or furnishing of water to or for the public, for compensation. KRS 278.010 defines a person to include corporations and defines corporation to include private, quasipublic and public corporations. County of

Boone is a quasipublic corporation. See Howell v. Haney, Ky., 330 S.W.2d 941 (1960). As a quasipublic corporation, it is subject to the jurisdiction of this Commission.

On July 9, 2002, the Commission issued an Interim Order granting approval of the construction and financing; however, the request for rates was continued until further review could be performed. This Order supplements that Interim Order.

The Commission suspended the proposed rates for 5 months from their effective date, pursuant to KRS 278.190(2), to and including September 30, 2002.

County of Boone proposed, and the Commission approved, the construction of a water extension project to serve an area in Boone County where it was not economically feasible for Boone County Water District (BCWD) to extend service without subsidization by County of Boone. Once constructed, the project will be connected to the BCWD distribution facilities. County of Boone plans to issue bonds or bond anticipation notes to pay for the construction of the facilities. Upon payment in full of the bonds, County of Boone intends to transfer the facilities to BCWD.¹

County of Boone has entered into a contract with BCWD wherein BCWD agrees to operate and maintain the County of Boone s facilities and agrees to read the water meters, to bill the customers, and to collect the charges for County of Boone through June 30, 2003. County of Boone requests approval to charge its customers the same rates and non-recurring charges as those approved for the customers of BCWD and for approval to assess a surcharge of \$25.00 for each 10,000 gallons, or any portion thereof, of water

¹ Response to Commission Staff s Data Request dated June 10, 2002, Item 5.

consumed each month to each customer.² County of Boone states that the revenues collected will be used to pay BCWD for the cost of the treated water and for its fee for operating and maintaining (O&M) County of Boone s facilities. County of Boone states that the O&M fees will be adjusted each calendar year based on the most recently audited O&M costs for the prior year as reported to the Commission by BCWD in its annual report. The balance of the revenues collected will be used to meet the scheduled principal and interest payments on the bonds.

County of Boone is a new, rather than an existing, utility. Consequently, test period financial information is nonexistent. Initial operating revenues are therefore based upon projections and estimates provided by County of Boone.

County of Boone projects that in the first 3 years of operations, the revenues will be sufficient to meet the bond payments that are due.³ County of Boone states that if the balance of revenues used to pay off the bonds is not sufficient to make the principal and interest payments, the county will pay all shortfalls to ensure that the bond payments are timely made. County of Boone states that it is financially sound and has the ability to ensure the payment of these bonds without jeopardizing other county services.⁴ Therefore, the Commission finds the rates proposed should be approved. However, the Commission advises County of Boone to monitor and review its first year of operations. County of

² County of Boone initially proposed that each customer also pay up to \$2,000 at the time of the tap-on as an initial customer capital cost. On June 11, 2002, County of Boone informed the Commission that as a result of lower-than-estimated bids for the project, it does not plan to assess the additional \$2,000 initial customer capital cost.

³ Information filed by Terrell Ross on behalf of County of Boone on June 18, 2002.

⁴ Application at 2. See also Application, Exhibit D.

Boone should take appropriate action if actual results differ substantially from the projections.

The non-recurring charges proposed by County of Boone should be approved. These proposed charges are associated with costs that will be incurred by BCWD in its operation and management of County of Boone's facilities and that were previously approved for BCWD.

County of Boone also requests that its rates be adjusted in accordance with any future approved rate adjustments for BCWD. The Commission acknowledges that these two utilities are very closely related, but finds that rates for each utility should be approved based on their individual conditions. The Commission further finds that there is a provision in the O&M agreement that would, upon notice, allow a party to terminate the agreement. If BCWD ceases to operate and maintain the system, it would not be reasonable for County of Boone's rates to be adjusted automatically when BCWD's rates are adjusted. If the two utilities believe that their rates should be identical, they may file a joint application for approval of rates.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by County of Boone and contained in Appendix A of this Order are approved for services rendered by County of Boone on and after the date of this Order.
2. County of Boone's request to revise its rates in accordance with revisions to BCWD's rates is denied.
3. Within 30 days from the date of this Order, County of Boone shall file a tariff containing schedules of all the charges, tolls, rules, and regulations that it plans to impose.

4. Within 30 days from the date of this Order, County of Boone shall also file maps and plats of the area in which it offers service.

5. County of Boone shall monitor and review its operations and take appropriate action if actual results differ substantially from its projections.

Done at Frankfort, Kentucky, this 27th day of September, 2002.

By the Commission

ATTEST:

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

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2002-00085 DATED September, 27, 2002

The following rates and charges are prescribed for the customers in the area served
by County of Boone.

Monthly Water Rates

SCHEDULE A: All customers except multiple occupancy buildings and mobile home parks.

| | | | | |
|----------|--------|---------|----------|-------------------|
| First | 3,000 | gallons | \$ 11.58 | Minimum bill |
| Next | 2,000 | gallons | 3.36 | per 1,000 gallons |
| Next | 5,000 | gallons | 3.11 | per 1,000 gallons |
| All Over | 10,000 | gallons | 2.36 | per 1,000 gallons |

SCHEDULE B: Multiple occupancy buildings and mobile home parks.

| | | | | |
|----------|---------|---------|----------|-------------------|
| First | 3,000 | gallons | \$ 11.58 | Minimum bill |
| Next | 2,000 | gallons | 3.86 | per 1,000 gallons |
| Next | 5,000 | gallons | 3.36 | per 1,000 gallons |
| Next | 140,000 | gallons | 3.11 | per 1,000 gallons |
| All Over | 150,000 | gallons | 2.36 | per 1,000 gallons |

Minimum Bill for Each Meter Size

| | | | | Schedule A | Schedule B |
|--------|-------|---------|---------|------------|------------|
| 3/4" | Meter | 3,000 | gallons | \$ 11.58 | \$11.58 |
| 1 | Meter | 5,000 | gallons | 18.30 | 19.30 |
| 1 1/2" | Meter | 9,000 | gallons | 30.74 | 32.74 |
| 2 | Meter | 11,000 | gallons | 36.21 | 39.21 |
| 3 | Meter | 21,000 | gallons | 59.81 | 70.31 |
| 4 | Meter | 29,000 | gallons | 78.69 | 95.19 |
| 6 | Meter | 100,000 | gallons | 246.25 | 316.00 |
| Over 6 | Meter | 100,000 | gallons | 246.25 | 316.00 |

Monthly Surcharge

Each customer of Subdistrict A will pay a surcharge for each 10,000 gallons, or any portion thereof, of water consumed. \$25.00

NON-RECURRING CHARGES

| | |
|--|-------------|
| Tap on Fees for each Meter | |
| 3/4" Meter | \$625.00 |
| 1 Meter | \$825.00 |
| All over 1 | Actual Cost |
| Late Payment | 10% Penalty |
| Reconnect Fee (During Normal Business Hours) | \$25.00 |
| Reconnect Fee (After Normal Business Hours) | \$37.50 |
| Return Check Fee | \$25.00 |