

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COMMONWEALTH	)	
WASTEWATER SYSTEMS, LLC FOR A	)	
CERTIFICATE OF CONVENIENCE AND	)	CASE NO.
NECESSITY, INITIAL RATES AND	)	2003-00431
AUTHORITY TO OPERATE	)	

ORDER

On June 3, 2004, the Commission issued an Order in this proceeding that granted Commonwealth Wastewater Systems, LLC (“Commonwealth”) a Certificate of Public Convenience and Necessity, approved its proposed non-recurring charges, and approved the initial rates that will produce annual revenues of \$10,482. On June 18, 2004, Commonwealth moved for rehearing, stating that the Commission had failed to act upon its requested rate for commercial users. Noting the potential to serve at least one commercial customer, Commonwealth requests the Commission approve its proposed commercial rate.

After consideration of Commonwealth’s motion for rehearing and being sufficiently advised, the Commission finds that rehearing on the issue of the commercial tariff and its effect on the residential rate should be granted.

IT IS THEREFORE ORDERED that:

1. Commonwealth’s motion for rehearing is granted.
2. Commonwealth shall file, within 20 days of the date of this Order, its responses to the requests for information set forth in Appendix A, which is attached hereto and incorporated herein.

Done at Frankfort, Kentucky, this 8<sup>th</sup> day of July, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a horizontal line.

Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00431 DATED July 8, 2004

1. Refer to Exhibit 10 of the Application, Commercial Wastewater Rates.
  - a. Describe the method Commonwealth used to develop its commercial rate.
  - b. Explain the formula for commercial wastewater service and its relationship to the costs that Commonwealth will incur to provide commercial service.
  - c. In its calculation of the residential rate, Commonwealth estimated that its testing fee would be \$315 per sample event. However, in calculating its commercial rate, Commonwealth estimates that the sampling and testing fee is \$119 per month. Provide the basis for the monthly commercial sampling and testing cost of \$119. Explain why it differs from the residential testing fee.
  - d. In the table "Monthly Commercial Charge," Commonwealth assumes only one customer on the system when calculating the sampling and testing fee. Describe the effect on the monthly fee if Commonwealth serves 25 residential customers and the 1 potential commercial customer.
  - e. Explain how Commonwealth calculated its maintenance costs.
  - f. Explain why maintenance expense for the commercial customer increases proportionally with water usage.
  - g. In its Order of June 3, 2004, the Commission calculated an annual maintenance expense for the residential customers of \$2,223. Estimate the impact the

residential maintenance expense of \$2,223 will have on the maintenance expense for the commercial customer.

h. Explain how Commonwealth calculated its 20 percent "Food Preparation Premium" and describe the relationship between maintenance and the food preparation premium.

i. State whether a commercial customer who does not have food service will be charged the food preparation premium charge.

j. Provide all workpapers, assumptions, and calculations used by Commonwealth in each of the above responses.

2. Estimate the impact the additional commercial customer will have on the operating expenses and the residential rate contained in the Commission's June 3, 2004 Order. Provide all workpapers, assumptions, and calculations used by Commonwealth in its response.

3. In Exhibit 10 of the Application, Commercial Wastewater Rates, Commonwealth states that, based upon its "Tennessee experience" the costs to maintain a commercial facility averages an additional 25 percent over an equivalent residential rate of flow.

a. Provide documentary support for the above statement regarding the cost differential to serve a commercial facility.

b. Provide a comparison between the commercial customers being served in Tennessee with Commonwealth's potential commercial customer. The comparison should include a description of each commercial customer, monthly water flows, yearly water flows, the types of discharge, and the increased treatment costs.

4. a. Identify the potential commercial customer and state whether that customer is currently using a sewage collection system.

b. state whether actual monthly or yearly water usage data is currently available for the potential commercial customer.

c. Provide either 12 months of actual or estimated monthly water usage data for the potential commercial customer. If estimated data is provided, include the basis and source for the estimates.

5. a. For similar wastewater facilities serving both residential and commercial customers, the Commission generally uses a residential equivalent methodology to calculate the commercial rate. Explain why this methodology is not appropriate in this instance.

b. Adjusting the operating expenses contained in the Commission's Order of June 3, 2004 for the additional commercial customer and using the water usage data provided in the response to Item 3(c), calculate of the residential equivalent rate. Provide all workpapers, assumptions, and calculations used by Commonwealth in its response.