

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|---------------------|
| THE APPLICATION OF WOOD CREEK WATER |) | |
| DISTRICT, WASTEWATER DIVISION, FOR A |) | |
| TARIFF ADDENDUM TO REDUCE ITS |) | CASE NO. 2006-00497 |
| CONNECTION FEE ON THE NORTH HIGHWAY |) | |
| U.S. 25 WASTEWATER PROJECT |) | |

ORDER

Wood Creek Water District (“Wood Creek”) proposes a revision to its existing rate schedule to decrease the connection fee for those persons who connect to wastewater collection system through its Highway 25 North 2004 Wastewater Project. Wood Creek currently assesses an applicant for wastewater service a fee of \$2,500 for single residential structures to connect to its collection system. It proposes to reduce this fee to \$1,000 for those persons connecting to the Highway 25 North 2004 Wastewater Project.¹

Wood Creek has proposed to construct a sanitary sewer extension in northern Laurel County, Kentucky to serve approximately 512 households. This extension consists of: 25,499 linear feet of 2-inch polyvinylchloride (“PVC”) force main; 2,610 linear feet of 2.5-inch PVC force main; 45,964 linear feet of 3-inch PVC force main;

¹ Wood Creek originally proposed a reduced connection fee for persons connecting to the Highway 25 North 2004 Wastewater Project in 2005. Finding that no Certificate of Public Convenience and Necessity had yet been issued for the proposed project, the Commission denied the proposed rate as “premature.” See Case No. 2005-00185, The Tariff Filing of Wood Creek Water District Wastewater Division to Decrease Its Connection Charge for the North U.S. Highway 25 Project (Ky. PSC Nov. 23, 2005).

22,667 linear feet of 4-inch PVC force main; 27,560 linear feet of 6-inch PVC force main; 3,877 linear feet of 8-inch PVC force main; and 2,633 linear feet of 10-inch PVC force main. It further requires the installation of 512 simplex grinder stations, 2 duplex grinder stations, and related appurtenances.²

Wood Creek proposes to finance the proposed facilities through a \$2,000,000 grant from the Kentucky Infrastructure Authority; \$512,000 in customer tap on fees; and applicant contributions of \$140,000.

Wood Creek proposes to reduce the fee for connections to the proposed expansion. It states that the reduction is intended to encourage connections to the proposed collection mains and that reduced connection costs will be incurred if connections are made as the collection mains are constructed. Wood Creek further states that, upon completion of the proposed construction, the connection fee will revert to the system-wide connection fee of \$2,500.

Administrative Regulation 807 KAR 5:011, Section 10, permits a utility to assess a nonrecurring charge for “certain types of service activity for which, when the activity is completed, no additional charges may be incurred.” The charge should at least cover those costs specifically incurred in the provision of the service.

At first glance, the proposed charge fails to comply with the requirement that it cover the costs specifically incurred to provide the service. Based upon our review of

² The Commission has issued a Certificate of Public Convenience and Necessity for this project. See Case No. 2005-00312, Application of Wood Creek Water District for Certificate of Public Convenience and Necessity to Construct Highway 25 North 2004 Sewer Project (Ky. PSC Aug. 11, 2006). Wood Creek has commenced construction.

the bid tabulations, the cost of equipment necessary for each connection is approximately \$1,897. The Commission's calculations are set forth in Table I.

| TABLE I³ | |
|--|------------|
| Simplex Grinder Station | \$1,587.00 |
| Electrical – 30 Amp DP Disconnect ⁴ | 119 |
| 6-inch x 2-inch Lateral Saddle | 34 |
| 1.5-inch Ball Corp | 56 |
| Curb Box with Lid | 16 |
| 15-inch Lateral Box Lid | 18 |
| 15-inch x 30-inch Lateral Box | 12 |
| 1.5-inch SDR-17 Service Lateral | 55 |
| Total | \$1,897.00 |

We note, however, that the Kentucky Infrastructure Authority grant covers a portion of the equipment cost. The proposed fee will allow for the recovery of those costs that the grant and customer contributions fail to meet.⁵ Accordingly, as to this project, the Commission finds the proposed fee is reasonable and should be allowed to be assessed for residential structures connecting to the Highway 25 North 2004 Wastewater Project on or before completion of that project.

IT IS THEREFORE ORDERED that:

1. The proposed connection fee of \$1,000 for single family residences connecting to the Highway 25 North 2004 Wastewater Project prior to the project's completion is approved and shall be effective as of the date of this Order.

³ This calculation is based upon the lowest bid that Wood Creek received and submitted to the Commission in support of its application for a Certificate of Public Convenience and Necessity. See Case No. 2005-00312, Letter from Bard Wilson, Projects Coordinator, Wood Creek Water District, to James Rice, Engineer, Public Service Commission (July 14, 2006).

⁴ Total cost ÷ Expected Applicants = \$60,730 ÷ 512 = \$119 per customer.

⁵ See Case No. 2005-00185, Wood Creek Water District's Response to Commission Staff's Interrogatories and Requests for Production of Documents, Item 2.

2. The charges in Appendix A are approved for services rendered on and after the date of this Order.

3. Wood Creek's authority to assess the proposed connection fee of \$1,000 shall terminate upon completion of the Highway 25 North 2004 Wastewater Project.

4. Wood Creek shall file, within 20 days of the date of this Order, a revised tariff sheet setting forth the proposed connection fee and bearing the signature of an officer of Wood Creek who is authorized to issue tariffs.

5. Subject to the filing of a timely petition for rehearing pursuant to KRS 278.400, these proceedings are closed. The Executive Director shall place any future filings in the appropriate utility's general correspondence file or shall docket the filing as a new proceeding.

Done at Frankfort, Kentucky, this 1st day of June, 2007.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00497 DATED JUNE 1, 2007

The following rates, charges, and policies are prescribed for the customers in the area served by Wood Creek Water District. All other rates, charges, and policies not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Non-Recurring Charges

| | |
|---|------------|
| Meter Connection/Tap-On Charge | |
| North Highway U.S. 25 Wastewater Project (prior to Completion of project) | |
| Standard Residential (single family) | \$1,000.00 |