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Reply to Ohio Office

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AUG 25 2010

PUBLIC SERVICE  
COMMISSION

August 24, 2010

Jeff Derouen  
Executive Director  
Public Service Commission of Kentucky  
P.O. Box 615  
211 Sower Blvd.  
Frankfort, Kentucky 40602-0615

**Re: Boone County Water District Tapping Fee**

Dear Mr. Derouen:

In response to Request No. 13 of the Commission Staff's First Information Request, the Home Builders Association of Northern Kentucky referenced a letter that it sent to Peter Trzot, General Manager of the Boone County Water District. I failed to attach that letter to the discovery responses. Please find a copy of that letter attached hereto.

Should you have any questions, please feel free to contact me. Thank you.

Very truly yours,

Kevin F. Hoskins

KFH/sw

Enclosure

cc: David Koenig, Esq.

Dressman Benzing LaVelle psc  
Attorneys at Law

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AUG 25 2010

PUBLIC SERVICE  
COMMISSION

Phil Trzop  
General Manager  
Boone County Water District  
2475 Burlington Pike  
Burlington, KY 41005-0018

Wednesday, July 28, 2010

Dear Mr. Trzop:

Thank you for reading this letter and for the opportunity for the Home Builders Association of Northern Kentucky (HBA) to make comment on the requested tap in fee increase at the Boone County Water District (BCWD). In further examining alternate scenarios to the requested tap in fee increases, the Home Builders Association of Northern Kentucky was able to find cost savings alternatives, over the last two years, which would eliminate or greatly reduce the need for the requested tap in fee increase.

By subcontracting Labor for setting taps BCWD would be paying the same amount for the actual installation, however BCWD would save on equipment, vehicle expense, crew travel time insurance of equipment, liability insurance and health insurance as well as retirement (16.6% contribution in 2009), etc. The other option that would provide benefit would be to retain the equipment and rent it to an outside entity to install the tap. This would allow the district to have a recurring income stream while minimizing the other expenses associated with a full time crew. This is even more relevant today given the number of new taps and meters installed during the collapse of the construction industry. The financial statements that have been supplied to HBA are not detailed enough in order to determine the actual costs savings at this time. We are requesting access to detailed financial records in order to estimate an accurate accounting of what the amount of actual savings could be gained from the subcontracting of installations.

In reviewing the last year and a half of adjustments from around the state, several disparities became obvious. Below is a breakdown of those disparities:

**¾ inch review:**

Meter Yokes are high

Savings Highest to lowest = \$90.11

BCWD	\$140.61
Big Sandy WD (5/8)	\$137.72
Jessamine County WD #1	\$136
Corinth WD	\$126.78

Marion County	\$119.39
Letcher County W&SD	\$110.00
Henry Co. WD #2 (5/8)	\$105.10
East Daviess Co. WA	\$95.00
NE Woodford County	\$92.05
Peaks Mill WD	\$92.05
Elkhorn WD	\$92.05
West Carroll Water	\$86.00
Southern Madison WD (5/8)	\$80.88
Adair County WD (5/8)	\$58.10
Magoffin County WD (5/8)	\$56.59
Laurel County WD#2	\$50.50
South Shore WWC (5/8)	\$14.84

Corporation Stops are high

Savings Highest to lowest = \$11.13

BCWD	\$28.13
South Shore WWC (5/8)	\$25.89
Marion County	\$24.04
NE Woodford County	\$23.12
Peaks Mill WD	\$23.12
Elkhorn WD	\$23.12
Letcher County W&SD	\$22.50
Corinth WD	\$22.12
Laurel County WD#2	\$21.21
Magoffin County WD (5/8)	\$20.84
Adair County WD (5/8)	\$20.00
Big Sandy WD (5/8)	\$19.80
Southern Madison WD (5/8)	\$18.81
West Carroll Water	\$17.00

Transponders are high

Savings Highest to lowest = \$130.00

BCWD	\$130.00
NE Woodford County	\$110.00
Peaks Mill WD	\$110.00
Marion County	\$100.00
Elkhorn WD	N/A (or did not charge)
South Shore WWC (5/8)	N/A (or did not charge)
Henry Co. WD #2 (5/8)	N/A (or did not charge)
East Daviess Co. WA	N/A (or did not charge)
Jessamine County WD #1	N/A (or did not charge)
Laurel County WD#2	N/A (or did not charge)

Big Sandy WD (5/8)	DO NOT CHARGE
Corinth WD	N/A (or did not charge)
Southern Madison WD (5/8)	N/A (or did not charge)
Adair County WD (5/8)	N/A (or did not charge)
Magoffin County WD (5/8)	N/A (or did not charge)
Letcher County W&SD	N/A (or did not charge)
West Carroll Water	N/A (or did not charge)

Several Districts do not charge overhead

Savings Highest to lowest = \$48.75

BCWD	\$48.75
Adair County WD (5/8)	\$45.00
Corinth WD	\$37.02
Laurel County WD#2	\$10.63
Magoffin County WD (5/8)	\$10.09
Jessamine County WD #1	\$6
NE Woodford County	\$0
Peaks Mill WD	\$0
Marion County	\$0
Elkhorn WD	\$0
Henry Co. WD #2 (5/8)	\$0
East Daviess Co. WA	\$0
Big Sandy WD (5/8)	\$0
Southern Madison WD (5/8)	\$0
Letcher County W&SD	\$0

Installation Miscellaneous Expenses are high

Savings Highest to lowest = \$100.00

BCWD	\$100
Marion County	\$71.80
Peaks Mill WD	\$65
Elkhorn WD	\$65
NE Woodford County	\$60
South Shore WWC (5/8)	\$52.82
Laurel County WD#2	\$45.00
Big Sandy WD (5/8)	\$35.25
East Daviess Co. WA	\$28.96
West Carroll Water	\$15.00
Letcher County W&SD	\$6.00
Adair County WD (5/8)	\$0.00
Magoffin County WD (5/8)	\$0.00

Average pipe expense is high

Savings Highest to lowest = \$81.50

West Carroll Water	\$197.00	+
BCWD	\$87.50	+
Corinth WD	\$29.40	*
Laurel County WD#2	\$21.75	*
Henry Co. WD #2 (5/8)	\$23.85	*
NE Woodford County	\$41.13	*
Peaks Mill WD	\$41.13	*
Elkhorn WD	\$41.13	*
Letcher County W&SD	\$19.60	*
Marion County	\$19.63	*
Southern Madison WD (5/8)	\$6.00	*
Magoffin County WD (5/8)	\$6.56	*
South Shore WWC (5/8)	\$6.90	*
Adair County WD (5/8)	\$7.50	*
Jessamine County WD #1	\$8.00	*
Big Sandy WD (5/8)	\$9.10	*
East Daviess Co. WA	\$9.80	*

+Copper pipe

\*polyethylene, HDPE, CTS 200 Poly, or C75

Total Savings on ¾ inch pipe installations as compared to fees by other Kentucky Districts= \$461.49

### 1 inch Review

Meter Yokes are high

Savings Highest to lowest = \$197.94

BCWD	\$217.71
NE Woodford County	\$184.72
Peaks Mill WD	\$184.72
Elkhorn WD	\$145.60
South Shore WWC	\$19.77
Corinth WD	\$206.17
West Carroll Water	\$130.00

Transponders are high

Savings Highest to lowest = \$174.00

BCWD	\$174.00
NE Woodford County	\$110.00
Peaks Mill WD	\$110.00
Elkhorn WD	N/A (or did not charge)

South Shore WWC	N/A (or did not charge)
Jessamine County WD #1	N/A (or did not charge)
Corinth WD	N/A (or did not charge)
West Carroll Water	N/A (or did not charge)

Several District Do not charge overhead Savings Highest to lowest = \$41.12

BCWD	\$41.12
Corinth WD	\$37.02
Jessamine County WD #1	\$8
NE Woodford County	\$0
Peaks Mill WD	\$0
Elkhorn WD	\$0

Installation Miscellaneous Expenses are high Savings Highest to lowest = \$85.00

BCWD	\$100
NE Woodford County	\$65
Peaks Mill WD	\$65
Elkhorn WD	\$65
South Shore WWC	\$52.82
West Carroll Water	\$15.00

Average pipe expense is high Savings Highest to lowest = \$112.75

West Carroll Water	\$237.00	+
BCWD	\$123.25	+
NE Woodford County	\$45.68	*
Peaks Mill WD	\$45.68	*
Elkhorn WD	\$45.68	*
Corinth WD	\$37.20	*
Jessamine County WD #1	\$14.00	*
South Shore WWC	\$10.50	*

+Copper pipe

\*polyethylene, HDPE, CTS 200 Poly, or C75

Total Savings on ¾ inch pipe installations as compared to fees by other Kentucky Districts= \$610.81

Please note that in many cases transponders were not charged to the tap in fee and in many cases likely no transponders were used. It is the belief of the HBA that transponders should not be charged in any tap in fee as they are a capital expense of doing business and should be allocated as such back to the rate payer. These devices are a recent phenomenon and only recently began as an expense line on tap in fees. This is a tool used by the meter readers, much like hand tools, that has created efficiencies in

manpower and should not be realized as an expense of a tap in fee. If this were the case any transponder retrofits should be billed in a lump sum to the ratepayer instead of capitalized and billed as such. We are also requesting to see as to whether these transponders are being capitalized for retrofits, but also for new meters as well.

If left unchanged, the proposed rate increase would cost our industry and the homebuyers over \$1,750,000 and another 20 jobs lost over the next five years in Boone County. We look forward to continuing this conversation so that we can move into what all should believe is the right direction for Boone County and the Water District's customers. Once again, thank you.

Sincerely,

Brian A. Miller  
Executive Vice President  
Home Builders Association of Northern Kentucky

CC: Barbara Drees Jones; President, Home Builders Association of Northern Kentucky  
Charlie Cain, Chairman, Boone County Water District