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David L. Armstrong
Chairman

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Vice Chairman

Linda Breathitt
Commissioner

February 21, 2014

Johnny Hobdy
Allen County Judge/Executive
P.O. Box 115
201 West Main Street
Scottsville, KY 42164

RE: Allen County Water District, Case No. 2013-00188

Dear Mr. Hobdy:

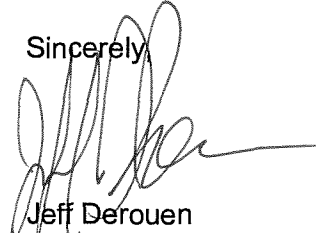
This letter is in response to your concerns regarding the recent increase in Allen County Water District's ("ACWD") tap fees. The Commission recognizes the qualms you have raised regarding the recent increase in the tap fees. ACWD filed its initial request to increase certain non-recurring charges, including raising the tap fee for 5/8" x 3/4" meters from \$500 to \$1,200 on February 18, 2013. In response to your February 22, 2013 letter in which you expressed reservations regarding the then pending fee increase, the Commission suspended the proposed tariff revisions and initiated a case to investigate the reasonableness of the proposed fee increase.

On December 17, 2013, after completing the necessary discovery, the Commission issued a final Order in the matter. In its Order, the Commission found that, as noted by your concerns, the immediate magnitude of the increase was unreasonable. Therefore, the Commission granted ACWD only 80 percent of the requested increase to its tap fee. The Commission further found that the district's fees should be reexamined within one year of the date of the Order. Accordingly, in approximately ten months, either in response to a filing by ACWD, or upon the Commission's own volition, the Commission will initiate an investigation into the current level of ACWD's tap fee. The tap fee will then be examined and adjusted as necessary to ensure its reasonableness.

As to the labor and equipment cost of the tap, the record in the case reflects an average labor expense of \$189 and an average equipment expense of \$300. The total labor time for each individual tap is estimated at either 3 or 5 hours depending upon the nature of the installation. The labor expense in the approved tap fee therefore does not exceed a total of \$189 and the actual labor expense that is attributable to driving time is a portion of that amount. Kentucky statute, KRS 278.0152, expressly authorizes a water utility to charge a "tapping fee" and to include the installation costs in such assessment. Labor costs associated with personnel driving to a service location are a traditional and necessary part of the installation expense.

A copy of the Commission's Order in this matter, the cost-justification provided by ACWD as well as a copy of KRS 278.0152 are attached to this letter for your reference. If you have any further questions or concerns, please do not hesitate to call me at (502) 564-3940.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen", with a long horizontal flourish extending to the right.

Jeff Derouen
Executive Director

Attachments

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

TARIFF FILING OF ALLEN COUNTY WATER)
DISTRICT TO REVISE ITS NON-RECURRING) CASE NO. 2013-00188
CHARGES)

ORDER

On February 18, 2013, Allen County Water District ("Allen District") filed proposed revisions to certain non-recurring charges effective June 1, 2013. On May 31, 2013, the Commission suspended the operation of Allen District's proposed charges and directed Allen District to provide additional information regarding those charges. Through Commission Staff, we requested further information. Allen District has complied with our requests.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Each of the proposed charges relates to the service performed or action taken.
2. None of proposed charges exceed the total expenses that Allen District incurs to provide the service associated with the charge.
3. With the exception of a provision related to the connections made during the course of a construction project, Allen District has not revised any of its existing non-recurring charges since 1990.
4. As a result of Allen District's failure to periodically review its charges for non-recurring services, the proposed charges represent a significant increase over

present rates for non-recurring services, in some instances over 120 percent above present rates.

5. The magnitude of the proposed fee increase for non-recurring services in actual and percentage terms is unreasonable and unjust and will result in undue hardship on existing customers and applicants for water service, will discourage the extension of water service in Allen District's territory, and should be limited to 80 percent of the proposed increase.

6. Within one year of the date of this Order, either upon application of Allen District or upon the Commission's own motion, the Commission should review the reasonableness of Allen District's existing tap fees to determine if further revisions to those fees are necessary to ensure the financial integrity of the water district and a reasonable allocation of costs to all ratepayers.

7. Allen District should begin periodic reviews of the reasonableness of its fees and charges for non-recurring services and take appropriate actions to ensure that those fees reflect the cost of providing service, and that gradual adjustments to those fees and charges can be made without severely affecting existing or potential customers.

8. Allen District's proposed revisions, with the exceptions of its proposed return-payment charge and security deposit, are unjust and unreasonable and should be denied.

9. The fees and charges that are set forth in the Appendix to this Order are fair, just and reasonable and should be authorized for service that Allen District provides on and after the date of this Order.

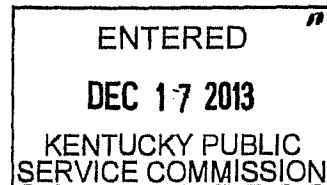
IT IS THEREFORE ORDERED that:

1. Allen District's proposed revisions, with the exceptions of its proposed return-payment charge and security deposit, are denied.

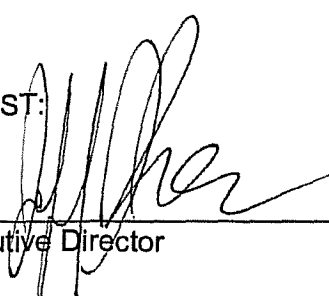
2. The charges set forth in the Appendix to this Order are approved for services rendered on and after the date of this Order.

3. Within 20 days of the date of this Order, Allen District shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the approved rates and reflecting that they were approved pursuant to this Order.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2013-00188 DATED **DEC 17 2013**

The following rates and charges are prescribed for the customers in the area served by Allen County 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 Tap Fees:

5/8- x 3/4-inch meter	\$ 960.00
1-inch meter	1,200.00
2-inch meter	3,200.00
Larger than 2-inch meter	Actual Cost

If a water extension project is self-funded or funded with funds from Allen County Fiscal Court or Rural Development, an application for connection will receive credit of \$200 towards the meter tap fee if the fee is paid prior to the commencement of construction.

Special Charges:

Security Deposit	\$75.00
Meter Re-read	64.00
Meter Test	80.00
Connection/Reconnection	88.00
Reconnection after hours	104.00
Service/Investigation	64.00
Service/Investigation after hours	80.00
Returned Payment	35.00
Meter Relocation	Actual Cost
Equipment Damage	Actual Cost

**AVERAGE METER CONNECTION EXPENSE
COST JUSTIFICATION**

Name of Utility Allen County Water District

The following is an itemization of expenses for providing a metered service connection.

A. Meter Size

5/8-Inch 3/4-Inch 1-Inch 1 1/2 -Inch 2-Inch

Other (specify) _____

B. Materials Expense

	<u>Unit Quantity</u>	<u>Cost</u>	<u>Total Cost</u>
1. Water Meter	<u>1</u>	<u>37.00</u>	<u>37.00</u>
2. Meter Yoke	<u>1</u>	<u>158.83</u>	<u>158.83</u>
3. Corporation Stop	<u>1</u>	<u>30.66</u>	<u>30.66</u>
4. Meter Box and Top	<u>1</u>	<u>68.00</u>	<u>68.00</u>
5. Miscellaneous Fittings	<u> </u>	<u>36.00</u>	<u>36.00</u>
6. Other (Itemize)			
<u>Saddle</u>	<u>1</u>	<u>28.89</u>	<u>28.89</u>
_____	_____	_____	_____
_____	_____	_____	_____
TOTAL MATERIALS EXPENSE			<u>\$359.38</u>
(add total cost)			

C. Service Pipe Expense

Type of Service Pipe PVC Size of Service Pipe 3/4 "

	<u>Unit Quantity</u>	<u>Cost</u>	<u>Total Cost</u>
1. Short Side Service	<u>10 L.F.</u>	<u>.25</u>	<u>2.50</u>
2. Long Side Service	<u>200 L.F.</u>	<u>.25</u>	<u>50.00</u>

AVERAGE SERVICE PIPE EXPENSE \$ 26.25
(add total cost and divide by 2)

D. Installation Labor Expense *Combined hourly rate for 3 service guys = 54.00
*Combined Hourly Rate for 2 service guys = 36.00

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>3</u>	<u>36.00</u>	<u>108.00</u>
2. Long Side Service	<u>5</u>	<u>54.00</u>	<u>270.00</u>

AVERAGE INSTALLATION LABOR EXPENSE \$ 189.00
(add total cost and divide by 2)

E. Installation Equipment Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>3</u>	<u>75.00</u>	<u>225.00</u>
2. Long Side Service	<u>5</u>	<u>75.00</u>	<u>375.00</u>

AVERAGE INSTALLATION EQUIPMENT EXPENSE \$300.00
(add total cost and divide by 2)

F. Installation Miscellaneous Expense

*Combined hourly rate for 3 service guys = 54.00

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Inspection	<u>1.5</u>	<u>18.00</u>	<u>27.00</u>
2. Site Clean-Up	<u>2</u>	<u>54.00</u>	<u>108.00</u>
3. Other			
Equipment			<u>100.00</u>
Seed and Straw			<u>12.50</u>
AVERAGE INSTALLATION MISCELLANEOUS EXPENSE (add total cost)			<u>\$ 247.50</u>

G. Overhead Expense

1. Installation expense (\$ 547.50) times
 overhead rate (10 %) \$ 54.75

H. Administrative Expense

1. Office expense for establishing a new account
 and billing record. \$17.00

I. Total Expenses

Materials Expense	<u>\$359.38</u>
Service Pipe Expense	<u>26.25</u>
Installation Labor Expense	<u>189.00</u>
Installation Equipment Expense	<u>300.00</u>
Installation Miscellaneous Expense	<u>247.50</u>
Overhead Expense	<u>54.75</u>
Administrative Expense	<u>17.00</u>

TOTAL CONNECTION EXPENSE

\$ 1193.88
Rounded to \$1200.00

Baldwin's Kentucky Revised Statutes Annotated
Title XXIV. Public Utilities
Chapter 278. Public Service Commission (Refs & Annos)
Public Utilities Generally

KRS § 278.0152

278.0152 Water utility permitted to charge a tapping fee for installing service to customer

Currentness

- (1) Any utility subject to this chapter which is engaged in the distributing or furnishing of water to or for the public, for compensation, may, subject to the approval of the commission, make a charge or “tapping fee” for installing service to its customers.

- (2) The “tapping fee” shall include charges for a service tap, meter, meter vault, and installation thereof.

Credits

HISTORY: 1988 c 8, § 1, eff. 7-15-88

KRS § 278.0152, KY ST § 278.0152

Current through the end of the 2013 regular session and the 2013 extraordinary session