



RECEIVED
MAR 02 2023

PUBLIC SERVICE
COMMISSION

Kent Chandler
Chairman
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602-0615

RE: Case No. 2022-00161

Thursday, March 2, 2023

Dear Chairman Chandler:

Thank you in advance for allowing us to address our concerns regarding the Public Service Commission's (PSC) February 8, 2023, order in case No. 2022-00161. To our knowledge the Northern Kentucky Water District (NKWD) did not file for a rate adjustment for service connection charges but had supplied a cost analysis of such charges in response to a request from the commission.

The current charges are as follows:

5/8-inch meter	\$1,000.00
1-inch meter	\$1,500.00

PSC ordered charges on February 8, 2023

5/8-inch meter	\$1,415.52
1-inch meter	\$2,271.87

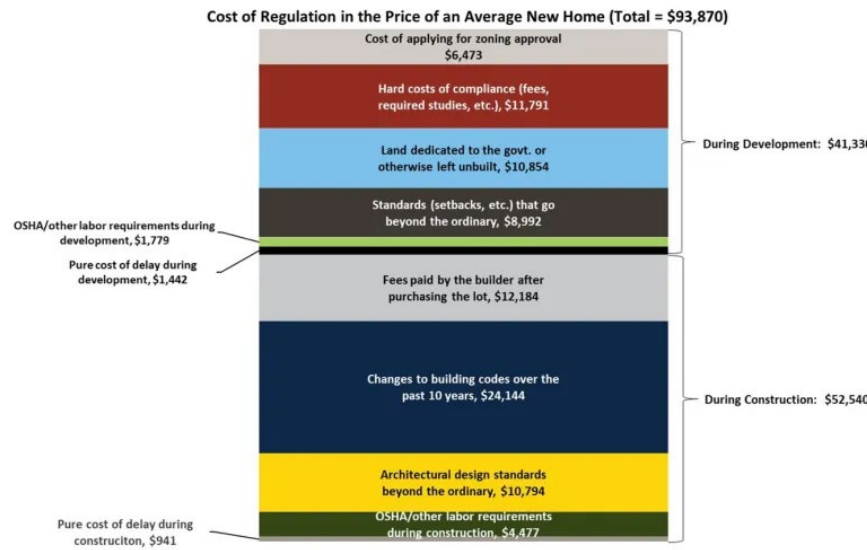
These ordered increases amount to an escalation of 41.53 percent and 51.46 percent respectively. While we agree with NKWD's point in their motion for reconsideration that no notice has been given to stakeholders such as our association (named in motions as Home Builders Association) we must provide further information why this ordered increase would harm the economic vitality of our region, the citizens in our area and therefore the Commonwealth.

In a recent economic study conducted by the Economics and Housing Policy Department of the National Association of Home Builders (NAHB), and peer reviewed by over 50 economists throughout the nation attesting to its validity and rationale, the study puts data to the "priced-out effect" about the increased cost of housing¹. The study states that for every \$1,000 in increased cost of a home there are 2,187 households who are unable to invest in that home in the Commonwealth of Kentucky and more specifically 1,118 households in the same state of despair in the Greater Cincinnati Metropolitan Statistical Area; the region represented by both our association and the NKWD.

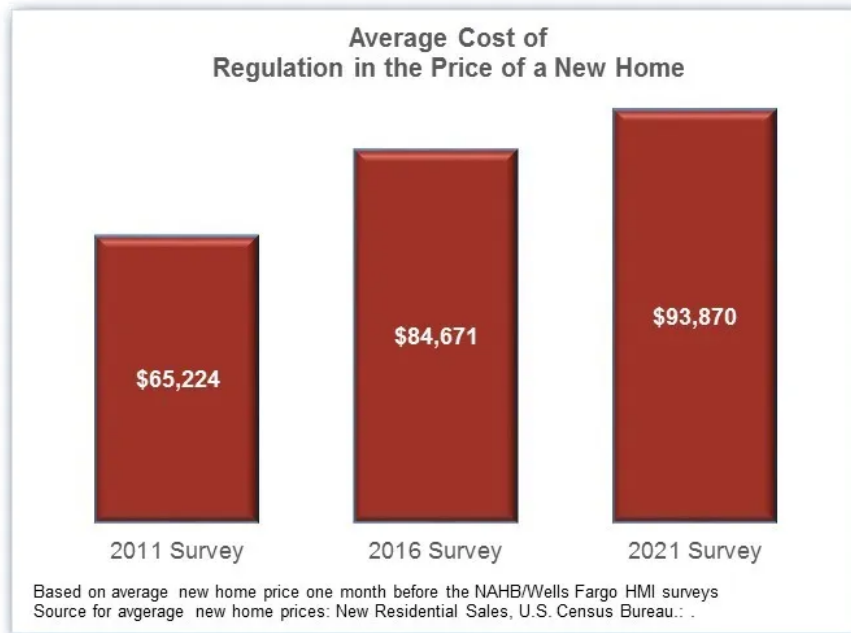
In another recent study conducted by that same NAHB Department², it is noted that the cost of regulations on whole now accounts for \$93,870 on average across the nation as a portion of the cost of a new home.

¹ NAHB Priced-Out Estimates for 2022; NA Zhao, Ph.D. – Economics and Housing Policy NAHB; <https://www.nahb.org/-/media/05E9E223D0514B56B56F798CAA9EBB34.ashx>

² Government Regulation in the Price of a New Home: 2021; Paul Emrath Ph.D. – Economics and Housing Policy NAHB; https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2021/special-study-government-regulation-in-the-price-of-a-new-home-may-2021.pdf?_ga=2.265728911.1858632564.1677699234-478365034.1677699234



What is more alarming is that the cost of regulations has increased dramatically according to the same study in recent years:



Coupled with recent developments in the lending rate as set forth by the Federal Reserve and the subsequent mortgage interest rates incurred by homeowners, the state of housing attainability nationwide and in our Commonwealth is at a tipping point. Currently the Northern Kentucky Area Development District is embarking on a study to address this crisis in our community as leaders across our region recognize the inability to meet housing demand at price levels appropriate for incomes in our area. Simply put due to these matters and the fact that, in part, rate increases as ordered by the Commission are contributing to the dilemma, we ask the commission fully to reconsider the hardship placed on the community to find attainable housing that aligns with their income so that they can work in and call Kentucky their home.

Our industry and the hardships placed upon the community to find adequate housing is a “death by a thousand cuts” and this ordered increase is yet another cut that heaps upon the oftentimes insurmountable barriers that exist for our neighbors to find an adequate living place.

Keep in mind microeconomics proves that the simple laws of supply and demand are such that an increase in the cost of new homes means a rise in the cost of all housing. With thousands of families being priced out with these increases they must live somewhere else. If they cannot buy a new home, they must look at the used home market. This increases the demand for used homes with a finite supply. As such, the costs of used homes will

increase as a market reality. This further increases the number of households priced-out of the new and used home market. As a result, they turn to the rental market. With a finite supply of rental units and an increased demand resulting from the priced-out effect the costs for rents grow making it even that much harder for those on the lowest rungs of the economic ladder to attain adequate housing.

In summation we ask that you not only reconsider the portion of the order dated February 8, 2023, in case No. 2022-00161, but that you take action to rescind that portion of the order entirely as it was not a request of the NKWD, places undue hardship on the community of Northern Kentucky and stymies economic development in the Commonwealth in general.

Thank you once again for the opportunity to consider these important issues and in advance of your commission making the right and just decision to rescind this uninvited increase. Should you take this request to heart and find it meaningful as it is abundantly clear we welcome you to contact us about any comments, questions or concerns concerning the issues addressed herein or for any other matter.

Sincerely,



Brian A. Miller

Executive Vice President

Building Industry Association of Northern Kentucky