



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
www.psc.state.ky.us  
(502) 564-3940

November 13, 1998

Mr. Donald W. Heilman  
Henry County Water District No. 2  
P.O. Box 219  
Campbellsburg, Kentucky 40011

Dear Mr. Heilman:

Commission Staff is in receipt of your letter of September 15, 1998 regarding Henry County Water District No. 2's need for a certificate of public convenience to construct new water line extensions.

In your letter and in a subsequent telephone conversation between Jeff Lee and Gerald Wuetcher, the following facts were submitted: Henry County Water District No. 2 ("Henry District") intends to construct three new water line extensions in its service area. The proposed extensions are:

- 2,600 feet of 6-inch PVC pipeline along Organ Creek Road in Oldham County, Kentucky
- 8,200 feet of 4-inch PVC pipe along Davidson Road in Henry County, Kentucky
- 25,000 feet of 4- and 6- PVC pipe along Fallis-Gest Road in Henry County, Kentucky

The estimated total cost of the proposed extensions is \$285,000 and will be financed through internal funds. Henry District will not issue any debt instruments to finance the proposed extension nor is any adjustment of Henry District's rates proposed.

Your letter poses the following issue: Is Henry District required to obtain a certificate of public convenience and necessity for the proposed extensions?

KRS 278.020(1) provides:

No person, partnership, public or private corporation, or combination thereof shall begin the construction of any plant, equipment, property or facility for furnishing to the public any of the services enumerated in KRS 278.010, except retail

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electric suppliers for service connections to electric-consuming facilities located within its certified territory and ordinary extensions of existing systems in the usual course of business, until such person has obtained from the Public Service Commission a certificate that public convenience and necessity require such construction.

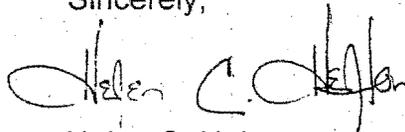
Administrative Regulation 807 KAR 5:001, Section 9(3) further provides:

Extensions in the ordinary course of business. No certificate of public convenience and necessity will be required for extensions that do not create wasteful duplication of plant, equipment, property or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general area in which the utility renders service or contiguous thereto, and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

Based upon the facts presented in your letter, Commission Staff is of the opinion that the proposed construction is an extension in the ordinary course of business and does not require a certificate of public convenience. According to its Annual Report for Calendar Year 1997, Henry District had net utility plant of \$12,370,671 as of December 31, 1997. The proposed construction, therefore, represents approximately 2.3 percent increase in Henry District's utility plant. Moreover, Henry District currently has approximately 815,545 feet of mains which are four inches or larger. Approximately 248,551 feet of these mains are six inches in diameter and approximately 245,240 feet of these mains are four inches in diameter. The proposed extension represents an addition of less than five percent of mains that are four inches or greater in diameter and an addition of 7.25 percent of mains that are four to six inches in diameter.

This letter represents Commission Staff's interpretation of the law as applied to the facts presented. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Questions concerning this opinion should be directed to Gerald Wuetcher, Commission counsel, at (502) 564-3940, Extension 259.

Sincerely,



Helen C. Helton  
Executive Director