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**COMMONWEALTH OF KENTUCKY**  
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**Ronald McCloud,**  
Secretary  
**Public Protection and  
Regulation Cabinet**

May 21, 1999

Mr. Raymond Abell  
Kentucky Turnpike Water District  
3396 Burkeland Boulevard  
Sheperdsville, Kentucky 40165

Re: Nichols School Water Main Extension

Dear Mr. Abell:

Commission Staff is in receipt of your letter of April 19, 1999 regarding Kentucky Turnpike Water District's need for a certificate of public convenience to construct a new water line extension.

In your letter and in your conversations with Commission Staff, the following facts were submitted: Kentucky Turnpike Water District ("Kentucky Turnpike") intends to construct four miles of 12-inch water main within its Division I area. This main connects to a 16-inch water main that the Louisville Water Company owns. Estimated cost of the proposed main extension is \$1,000,000. Kentucky Turnpike proposes to finance this main extension through with a grant of \$500,000 from the Kentucky State Treasury, \$100,000 contribution from the Bullitt County Board of Education and \$400,000 from customer contributions.<sup>1</sup> Kentucky Turnpike will not issue any debt instruments to finance the proposed extension; nor is any adjustment of Kentucky Turnpike's rates proposed.

<sup>1</sup>

Kentucky Turnpike proposes to require each customer directly connecting to the extension for 10 years after the extension's completion to contribute \$4,000. Once \$400,000 is recovered from customer contributions and additional customers connect, each customer's contribution will be recalculated to ensure that he or she contributes equally to the cost of construction. Refunds will be made to those customers who have previously contributed to the cost of the extension to reduce their contribution to the currently calculated amount for each new customer connection. Kentucky Turnpike will not assess any contribution from the Bullitt County Board of Education when the Nichols Elementary School is connected to the proposed water main extension.



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Your letter poses the following issue: Is Kentucky Turnpike 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 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.

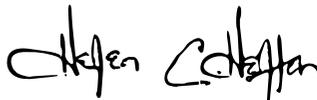
Based upon the facts presented in your letter, Commission Staff is of the opinion that the proposed construction is not an extension in the ordinary course of business and will require a certificate of public convenience. According to its Annual Report for Calendar Year 1998, Kentucky Turnpike (Division I) had net utility plant of \$6,861,846 as of December 31, 1998. The proposed construction, therefore, represents approximately 14.6 percent increase in the utility plant of Kentucky Turnpike (Division I). Moreover, Kentucky Turnpike (Division I) currently has approximately 40,603 feet of mains which are 12 inches or larger. The proposed extension represents an addition of approximately 52 percent of mains that are 12 inches or greater 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

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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

cc: Company Correspondence File