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April 10, 2000

Mr. William R. Toadvine
Harrison County Water Association
P.O. Box 215
Cynthiana, Kentucky 41031

Re: Bourbon County Water Main Extension

Dear Mr. Toadvine:

Commission Staff is in receipt of your letter of March 29, 2000 regarding Harrison County Water Association's need for a certificate of public convenience and necessity to construct a new water line extension.

In your letter and in Commission Staff's conversations with representatives of Harrison County Water Association ("HCWA"), the following facts were submitted: Judy Water Association is preparing to construct a major water main extension in Bourbon County, Kentucky. As a part of this project, Judy Water Association, on behalf of HCWA, will construct approximately two miles of six-inch water main to serve approximately 15 additional customers in Bourbon County, Kentucky. This extension will connect to HCWA's distribution system and will cost approximately \$109,939. HCWA intends to reimburse Judy Water Association for extension using internal funds. HCWA will not issue any debt instruments to finance the proposed extension; nor is any adjustment of HCWA's rates proposed. No utility is presently providing water service in this area that the proposed extension will serve.

Your letter poses the following issue: Is HCWA 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,



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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 an extension in the ordinary course of business and will not require a certificate of public convenience. Based upon HCWA's net utility plant of \$7,899,242 as of December 31, 1999, the proposed construction represents only a 1.3-percent increase in HCWA's utility plant. Moreover, it does not appear that the proposed extension involves a sufficient capital outlay to materially affect HCWA's existing financial condition. As of December 31, 1999, HCWA had total assets of \$9,865,632 and total liabilities of only \$3,980,860. As of the same date, it had total current and accrued assets of \$1,966,390.

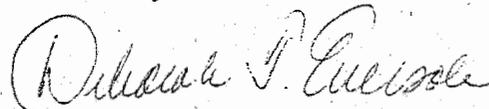
Please note that this letter addresses only HCWA's statutory obligation to apply for a certificate of public convenience and necessity. It does not address Judy Water Association's legal obligation to apply for a certificate of public convenience and necessity for improvements proposed for that utility's distribution system.

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.

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Questions concerning this opinion should be directed to Gerald Wuetcher, Commission counsel, at (502) 564-3940, Extension 259.

Sincerely,



Deborah T. Eversole
General Counsel

cc:  Company Correspondence File