



**Paul E. Patton, Governor**

**Janie A. Miller, Secretary  
Public Protection and  
Regulation Cabinet**

**Thomas M. Dorman  
Executive Director  
Public Service Commission**

COMMONWEALTH OF KENTUCKY  
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Vice Chairman**

**Robert E. Spurlin  
Commissioner**

September 19, 2002

W. Randall Jones, Esq.  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202-1410

Re: Green-Taylor Water District

Dear Mr. Jones:

Commission Staff is in receipt of your letter of August 15, 2002 regarding the need for a certificate of public convenience for the construction of a water distribution main extension within the area that Green-Taylor Water District serves.

Based upon your letter of August 15, 2002, Commission Staff finds the following facts: Green-Taylor Water District proposes to construct approximately 14,100 linear feet of four-inch polyvinyl chloride ("PVC") water main, 92,470 linear feet of three-inch PVC water main, and related appurtenances. The estimated total cost of this construction, including engineering, inspection and contingency costs, is \$500,000. Green-Taylor Water District will finance the construction with a grant from the Commonwealth of Kentucky. It will not issue any evidences of indebtedness or securities to finance the construction nor does it intend to adjust its existing rates for water service. The proposed construction will add 16 customers to Green-Taylor Water District's system. Green-Taylor Water District estimates that the proposed plant will increase its annual operating income by \$28,319 and its annual operating expenses by \$23,551.

Your letter poses the following issue: Is Green-Taylor Water District required to obtain a certificate of public convenience and necessity for the proposed extension?

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 will not materially affect Green-Taylor Water District's financial condition, is an extension in the ordinary course of business, and does not require a certificate of public convenience and necessity. According to its Annual Report for Calendar Year 2001, Green-Taylor Water District had net utility plant of \$8,900,192. The proposed construction, therefore, represents an increase of 5.6 percent in Green-Taylor Water District's net utility plant. Moreover, the proposed construction will not increase the utility's operating expense nor require an adjustment in the utility's rates or the issuance of new debt instruments.

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, Assistant General Counsel, at (502) 564-3940, Extension 259.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", with a long, sweeping underline that extends to the right.

Thomas M. Dorman  
Executive Director