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October 30, 2002

Mr. Tim W. Graves
Water Management Services, Inc.
P.O. Box 17650
Nashville, Tennessee 37217

Re: Green River Valley Water District
Wayne Poynter Water Line Extension

Dear Mr. Graves:

Commission Staff is in receipt of your letter of October 16, 2002 regarding the need for a certificate of public convenience for the construction of a water distribution main extension within the area that Green River Valley Water District ("Green River Valley") serves.

Based upon your letter of October 16, 2002, Commission Staff finds the following facts: Green River Valley proposes to construct approximately 10,135 linear feet of four-inch polyvinyl chloride ("PVC") water main and related appurtenances. The estimated total cost of this construction, including engineering, inspection and contingency costs, is \$54,575. Green River Valley will finance the construction with a grant from the Kentucky Infrastructure Authority (Project No. WX2109006). 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 8 customers to Green River Valley's system.

Your letter poses the following issue: Is Green River Valley 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 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 River Valley'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 River Valley had net utility plant of \$1,126,622. The proposed construction, therefore, represents an increase of 4.8 percent in Green River Valley's net utility plant. Moreover, the proposed construction will not significantly increase the utility's operating expense¹ or 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,



Thomas M. Dorman
Executive Director

¹ Assuming a service life of 20 years for the proposed facilities, Green River Valley Water District will incur additional depreciation expense of \$2,500 annually. This expense represents an increase of 0.11 percent of the utility's operating expenses for calendar year 2001.