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October 8, 2009

Mr. Jeffery G. Anderson
Laurel County Water District No. 2
3910 South Laurel Road
London, Kentucky 40744

Dear Mr Anderson:

PSC STAFF OPINION NO. 2009-013

Commission Staff is in receipt of your letter of August 31, 2009 regarding the need for a certificate of public convenience for the construction of a water main extension to serve an apartment complex in Laurel County, Kentucky.

In your letter and subsequent telephone conversation with Commission Staff, you present the following facts: Laurel County Water District No. 2 ("Laurel District") proposes to construct 265 feet of 3-inch polyvinylchloride water main to serve an apartment complex located within its territory. The estimated cost of the extension is \$3,106.48. The complex owner will fund the entire cost of the water main extension. The water district will not issue any evidences of indebtedness or securities to finance any portion of the construction nor does it intend to adjust existing rates for water service. The proposed facility will not compete with the water service that other utilities presently provide.

Your letter poses the following issue: Is Laurel District required to obtain a certificate of public convenience and necessity for the proposed water main 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.

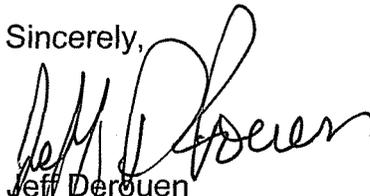
Administrative Regulation 807 KAR 5:001, Section 9(3) further provides:

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 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 2008, Laurel District had total utility plant of \$7,579,534.¹ The proposed construction, therefore, represents an increase of 0.4 percent in Laurel District's utility plant. As the proposed construction will not require an increase in utility rates or the issuance of additional debt, it does not appear to materially affect the financial condition of the utility.²

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, Executive Advisor, at (502) 564-3940, Extension 259.

Sincerely,



Jeff Derouen
Executive Director

¹ Annual Report of Laurel County Water District No. 2 to the Kentucky Public Service Commission for the Calendar Year Ending December 31, 2008 at 13.

² Assuming a 40 year useful life for the proposed water main extension, Laurel District will incur additional annual depreciation expense of \$77.65 for the proposed building. This increase represents an increase of less than 0.005 percent in Laurel District's total operating expenses of \$1,642,254 for calendar year 2008.