

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION OF WESTERN FLEMING COUNTY)
WATER DISTRICT, OF FLEMING COUNTY, KENTUCKY)
FOR (1) A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, AUTHORIZING AND PERMITTING)
SAID WATER DISTRICT TO CONSTRUCT A WATER-)
WORKS CONSTRUCTION PROJECT, CONSISTING OF)
EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO) CASE NO. 7751
THE EXISTING WATERWORKS SYSTEM OF THE)
DISTRICT; (2) APPROVAL OF THE PROPOSED)
PLAN OF FINANCING OF SAID PROJECT; AND)
(3) APPROVAL OF THE INCREASED WATER RATES)
PROPOSED TO BE CHARGED BY THE DISTRICT TO)
CUSTOMERS OF THE DISTRICT)

INTERIM ORDER

Preface

On February 25, 1980, the Western Fleming County Water District hereinafter referred to as the "Utility", filed with this Commission its duly verified application seeking: (1) a "Certificate of Public Convenience and Necessity" authorizing the construction of a 700 GPM water treatment plant and other extensions, additions and improvements to its existing water distribution system; (2) approval of the proposed method for financing the project; and (3) approval of adjustments in its water service rates.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky on April 7, 1980, and all parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes. The Attorney General's Division of Consumer Intervention is an intervenor of record in this matter.

A copy of a letter from the Sanitary Engineering Division of the Kentucky Department of Natural Resources and Environmental Protection approving the plans and specifications is on file with this Commission.

The complete record and testimony in this matter through the conclusion of the April 7, 1980 hearing has been considered by the Commission in the making of this Order which addresses certification of construction and the method of financing. The matter of an adjustment of the Utility's rates will be addressed by a subsequent Order of this Commission.

Findings In This Matter

The Commission, after consideration of all the evidence of record and being advised, is of the opinion and finds:

1. That public convenience and necessity requires construction of the proposed water works project in the areas defined by the application and exhibits filed in this matter.

2. That the proposed project includes: construction of a new water treatment plant having a capacity of 700 GPM, a new raw water intake station, a new 50,000 gallon storage tank, 40,330 feet of 8-inch water pipe, 50,720 feet of 6-inch water pipe, 28,140 feet of 4-inch water pipe, 2,520 feet of 2½-inch water pipe, service connections for 113 customers and other miscellaneous improvements; all at a total cost of \$2,144,000.

3. That any construction deviations from the contract plans and specifications, herein approved, which could adversely affect service to any customer, should be subject to the prior approval of this Commission.

4. That the financing of this project by means of an FmHA Grant of \$862,000, an ARC Grant of \$217,500, and FmHA Loan of \$560,000, Service Connection Fees of \$11,500 and the Buffalo Trail Water Association's Contribution in Aid of Construction of \$493,000 is necessary and appropriate for and consistent with the proper performance by the Utility in its service to the public, and will not impair its ability to perform that service.

5. That the Utility's current revenues⁽¹⁾ are adequate for meeting its current obligations; but are not adequate for coverage of the additional obligations for financing, constructing and operating

(1) The Utility realized revenues from water sales of \$75,366 and a net income of \$2,256 during the twelve month period ending December 31, 1979 according to the Annual Report filed for this period by the Utility. Existing rates were set by an Order of this Commission entered June 25, 1970 in Case No. 5352.

the proposed new facilities. The Commission, therefore, acknowledges its obligation to consider the Utility's proposed adjustment of rates as an inherent part of this certificating Order. Further, that this Commission should enter an Order setting forth the adjusted rates no later than June 5, 1980 to satisfy loan closing requirements. Further, the said rates should insure the financial integrity of the Utility.

6. That according to the Utility's Annual Report for 1979, it has been experiencing excessive losses in its distribution system. The Utility should, therefore, establish and maintain a program for leak detection and correction as an ongoing program; but should begin this program with diligent efforts to reduce its losses to 15% or less for three consecutive months. The percentage computation should be made after 115% of the quantity of water sold for resale has been deducted from the quantity produced. Monthly reports should be made to this Commission until such time as losses have been reduced to 15% or less for three consecutive months.

7. That the Utility should furnish this Commission with duly verified documentation of the total cost of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within sixty (60) days of the date that construction is substantially completed.

8. That the contract between the Utility and the Engineer should require the Engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

9. That within sixty (60) days of the date of substantial completion of the construction, the Utility should require the Engineer to furnish this Commission with a copy of the "As-Built Plans" along with the Engineer's certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

Orders In This Matter

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the Utility be and it is hereby granted a Certificate of Public Convenience and Necessity to construct the proposed 700 GPM water treatment plant and other extensions, additions, and improvements to its existing water distribution system in the areas set forth in the application and in accordance with the contract plans and specifications filed in this record.

IT IS FURTHER ORDERED that any construction deviations from the contract plans and specifications, herein approved, which could adversely affect service to any customer shall be subject to the prior approval of the Commission.

IT IS FURTHER ORDERED that the Utility be and it is hereby authorized to finance the proposed construction project by means of an FmHA Grant of \$862,000, an ARC Grant of \$217,500, and FmHA Loan of \$560,000, Service Connection Fees of \$11,500, and the Buffalo Trail Water Association's Contribution in Aid of Construction of \$493,000. Further, that this \$2,144,000 in project funds shall be used only for the lawful objects as set forth in the application.

IT IS FURTHER ORDERED that the Utility establish and maintain an ongoing program for leak detection and correction and shall emphasize this program until such time as its distribution system losses have been reduced to 15% or less for three consecutive months. Further, that reports of distribution system losses shall be submitted to this Commission on a monthly basis until such time as these losses have been stabilized at 15% or less. Such reports shall include the quantity of water purchased, the quantity of water sold for resale, the quantity of water sold to its customers excluding quantities sold for resale, the quantity of unaccounted for water relative to total production less quantities sold for resale.

IT IS FURTHER ORDERED that the Utility file with this Commission a duly verified document or documents which show the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within sixty (60) days of the date that construction is substantially completed.

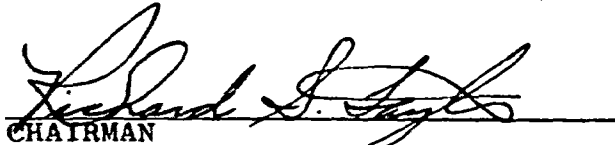
IT IS FURTHER ORDERED that the contract between the Utility and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the contractor's construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

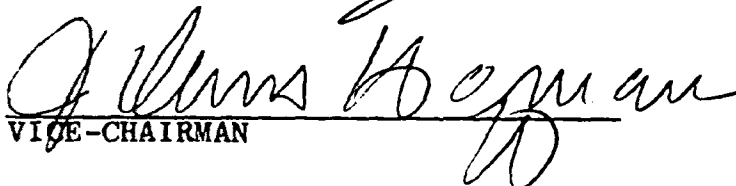
IT IS FURTHER ORDERED that the Utility shall require the Engineer, within sixty (60) days of substantial completion of the proposed construction, to furnish this Commission with a copy of the "As-Built Plans" and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 25th day of April, 1980.

UTILITY REGULATORY COMMISSION


CHAIRMAN


VICE-CHAIRMAN


COMMISSIONER

ATTEST:

SECRETARY