

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

In the Matter of:

THE APPLICATION OF SANITATION)
DISTRICT NO. 1 OF MARSHALL COUNTY,)
KENTUCKY, A SANITATION DISTRICT)
ORGANIZED PURSUANT TO CHAPTER 220)
OF THE KENTUCKY REVISED STATUTES,)
FOR (1) A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY, AUTHORIZING)
AND PERMITTING SAID SANITATION DISTRICT)
TO CONSTRUCT A NEW SEWAGE COLLECTION)
SYSTEM AND TO CONSTRUCT ADDITIONS AND)
IMPROVEMENTS TO AN EXISTING SEWAGE)
TREATMENT PLANT; (2) APPROVAL OF THE)
PROPOSED PLAN OF FINANCING OF SAID)
PROJECT; AND (3) APPROVAL OF THE RATES)
PROPOSED TO BE CHARGED BY THE DISTRICT)
TO THE CUSTOMERS OF THE DISTRICT)

CASE NO. 7933

I N T E R I M O R D E R

Preface

On August 1, 1980, the Sanitation District No. 1 of Marshall County, Kentucky, hereinafter referred to as the Applicant, filed with this Commission its duly verified application seeking: (1) a Certificate of Public Convenience and Necessity authorizing the construction of a proposed sewage collection system and the construction of additions and improvements to an existing sewage plant; (2) approval of the proposed plan of financing; and (3) approval of proposed rates for sewage services.

The case was set for hearing on the Construction and Financing aspects of the application at the Commission's office in Frankfort, Kentucky, September 19, 1980. All parties of interest were notified and no protests were entered. A hearing on the rates aspects of the application has been scheduled for November 11, 1980.

This Interim Order addresses the Applicant's construction and financing proposals in order to facilitate the award of a contract for construction of the proposed project. A subsequent order of this Commission will address the matter of the establishment of initial rates.

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

Findings in This Matter

The Commission, after a review of the record and being advised, is of the opinion and finds:

1. That in consideration of the exigencies of matters related to the awarding of a contract for construction of the Applicant's proposed project, the Commission received testimony on said matters at the September 19, 1980, hearing. The evidentiary record of the said hearing established the basis for entering this Order addressing the certification of construction and the financing thereof.

2. That testimony regarding the Applicant's proposed initial rates has not been received as of the date of this Order. The Commission therefore, can make no specific findings herein on the proposed rates.

The Commission's general findings regarding the said proposed rates can, however, be set forth as follows: "Revenue Requirements" will include the Applicant's obligations for payment of principal and interest on the proposed 1980 bonds as well as the expenses for operations, maintenance and management. The "Rates" to be set by the Commission in this matter should provide for revenues that will enable the Bonds of 1980 to be issued on the basis of a coverage factor of 1.2 times debt service requirements.

3. That public convenience and necessity requires construction of the proposed project by the Applicant in the area defined in the application.

4. That the construction project proposed by the Applicant includes: expansion of an existing sewage treatment plant capacity from 60,000 GPD to 150,000 GPD; the construction of approximately 15,012 feet of gravity sewers varying in depth of burial from 0 feet to 24 feet, approximately 1915 feet of 4-inch force mains, approximately 1575 feet of 6-inch force mains, 64 manholes of varying depths, 4 pumping stations, approximately 65 service connections, and other appurtenances and improvements including a portable generator; all at a total project cost of \$754,000.

5. That the Department of Parks of the Commonwealth of Kentucky, owner and operator of Kenlake State Resort Park, and the Sanitation District No. 1 of Marshall County, have entered into an Agreement dated June 18, 1980. A copy of this Agreement has been filed and made part of this record. Said agreement assigns all rights, titles, and interest in the sewage collection system and sewage treatment plant of the Kenlake

State Park Sanitation System to the Applicant; with the Applicant assuming the responsibilities of: operating and maintaining said Sanitation System, providing sewage services to the customers of said Sanitation District at the approved rates of the District.

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

7. That the financing of this project is composed of: \$70,000 contributions in aid of construction from the Applicant's future customers; EDA Grants totaling \$554,000 (includes \$240,000 from the EDA 304 program; \$60,000 in State Matching Funds (an EDA 304 program requirement) and an FmHA loan (40 years at 5%) in the amount of \$70,000. Said financing is for lawful objects within the corporate purpose of the Applicant is necessary and appropriate for and consistent with the proper performance by the Applicant of its service to the public and will not impair its ability to perform that service.

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

9. That the contract between the Applicant 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.

10. That within sixty (60) days of the date of substantial completion of this construction the Applicant should require the Engineer 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.

11. That the Applicant should file with this Commission all contracts concerning services provided by or contracted for the District which are subject to the Commission's approval.

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 Sanitation District No. 1 of Marshall County be and it is hereby granted a Certificate of Public Convenience and Necessity to construct a new sewage collection system and improvements to an existing sewage treatment plant in the area set forth in the application and in accordance with the contract plans and specifications of record in this matter.

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

IT IS FURTHER ORDERED that the Sanitation District No. 1 of Marshall County be and it is hereby authorized to finance the proposed project by means of contributions in aid of construction from the Applicant's future customers in the amount of \$70,000, EDA grants totaling \$554,000 (includes \$240,000 from the EDA 304 program) \$60,000 in State Matching Funds (an EDA 304 program requirement) and the sale of \$70,000 in Sanitation District Revenue Bonds at an interest rate of not more than 5% and with a 40-year redemption period. Further that this \$754,000 in project funds shall be used only for the lawful objects set forth in the application.

IT IS FURTHER ORDERED that the Sanitation District No. 1 of Marshall County shall file with this Commission duly verified documentation showing 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 Sanitation District No. 1 of Marshall County, and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident inspection 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.

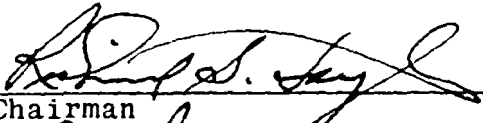
IT IS FURTHER ORDERED that the Sanitation District No. 1 of Marshall County shall require the Engineer, within sixty (60) days of the date of substantial completion of the proposed construction to furnish this Commission with a copy of the As-Built Plans and a certification that the construction has been satisfactorily completed and was done in accordance with the contract plans and specifications.

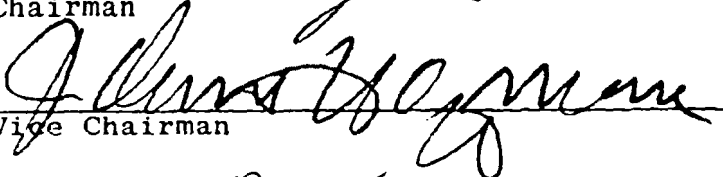
IT IS FURTHER ORDERED that the Sanitation District No. 1 of Marshall County shall file with this Commission, within thirty (30) days of the date of this Order, all contracts concerning services provided by or contracted for which are subject to this Commission's approval.

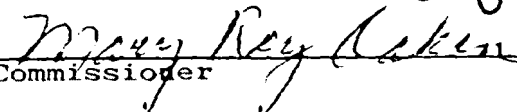
Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky this 24th day of October, 1980.

UTILITY REGULATORY COMMISSION OF KENTUCKY


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary