

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION
(formerly UTILITY REGULATORY COMMISSION)

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In the Matter of:

THE APPLICATION OF LARUE COUNTY WATER)
DISTRICT NO. 1 OF LARUE COUNTY, KENTUCKY)
FOR (1) A CERTIFICATE OF PUBLIC CONVEN-)
IENCE AND NECESSITY, AUTHORIZING AND)
PERMITTING SAID WATER DISTRICT TO CONSTRUCT) CASE NO. 8034
A WATERWORKS CONSTRUCTION PROJECT, CONSIST-)
ING OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS)
TO THE EXISTING WATERWORKS SYSTEM OF THE)
DISTRICT; AND (2) APPROVAL OF THE PROPOSED)
PLAN OF FINANCING OF SAID PROJECT.)

O R D E R

Preface

On November 13, 1980, the Larue County Water District No. 1 (hereinafter referred to as the "Utility") filed with this Commission its duly verified application seeking a certificate of public convenience and necessity authorizing the construction of improvements to its existing water distribution system, ratification of its existing rates, and approval of the method of financing the proposed improvements.

The Commission, by Order entered January 13, 1981, set this matter for public hearing at the Commission's offices in Frankfort, Kentucky on February 12, 1981. All parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes. The Division of Consumer Intervention of the Attorney General's Office is the only intervenor of record in this matter.

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

Findings in this Matter

The Commission, after a review of the record in this matter and being advised, is of the opinion and FINDS:

1. That public convenience and necessity requires con-

struction of the proposed improvements to the Utility's existing water distribution system in the areas defined by the application and exhibits filed in this matter.

2. That the construction work on which the Utility has obtained bids and is ready to award construction contracts includes: \$79,900 for a 100,000 gallon standpipe type storage tank; \$38,500 for a 130 gpm pumping station; \$4,800 for a master metering station; \$240,914 for approximately 113,700 Linear Feet of PVC water main construction (68,000 L.F. of 6-inch pipe, 37,700 L.F. of 4-inch pipe and 8,000 L.F. of 3-inch pipe); \$972 for one fire hydrant; \$6,095 for eleven flush hydrants; \$2,800 for twelve air release valves; \$39,660 for 218 customer service connections; and \$67,455 for other construction such as 50 gate valves, tapping sleeves, 3/4-inch service pipe, two creek crossings, eight highway crossings and other miscellaneous items for a grand total of \$481,096. The \$481,096 does not include construction contingencies, fees for professional services, interim financing until the date of loan closing with the FmHA, or the refinancing of the Utility's delinquent principal and interest on its existing long-term debt.

3. 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.

4. That in order to finance the proposed construction and to pay off approximately \$26,750 in delinquent bonds, the Utility has secured a \$627,000 FmHA grant, a \$226,000 FmHA loan and \$33,125 from 265 applicants for water service for a total of \$886,125 for its proposed project on which bids have been received. Further, that an exceptionally favorable market for obtaining bids has placed the Utility in a position wherein additional improvements can be planned including: (1) approximately 26,000 L.F. of 8-inch water main along US 31 E from Buffalo to Magnolia including a master metering station to provide for purchasing water from the Green River Valley Water District (\$143,550 construction test estimate) and (2) approximately 7,500 L.F. of additional 4-inch water main extensions and the substitution of approximately 19,000 L.F. of 6-inch main

for initially bid 4-inch diameter pipe for greater distribution capacity along Dangerfield Road (\$101,625 construction cost estimate). The FmHA recognizes the need for the proposed additional construction that can provide service to additional homes in the Utility's service area and for a \$0.41 per 1,000 gallon cost advantage in the purchase of water by the Utility. Further, the FmHA has agreed that approximately \$245,175 of the said \$886,125 secured financing can be used for the said additional construction, with the understanding that adequate funds will be set aside for the line to Magnolia before commitments for construction are made for any of the other proposed additional construction work. The project as bid, except for construction change orders which must be approved by the FmHA, must be approximately 80% complete before funds for the additional construction will be released by the FmHA. The Commission therefore finds, in this instance, that approval of the \$886,125 in project financing should be granted at this time with the understanding that plans and construction bids for the additional construction will be submitted for certification by this Commission before construction thereon is begun. Further, that said financing is for lawful objects within the corporate purposes of the Utility, is necessary and appropriate for and consistent with the proper performance by the Utility of its service to the public and will not impair its ability to perform that service.

5. That the existing rates charged by the Utility provided annual revenues of approximately \$41,905 from approximately 255 customers receiving water service during the twelve months ending August 31, 1980. The Utility's expenses of approximately \$49,689 during this period resulted in a deficit of approximately \$7,784 for this period.

6. That the Utility's annual expenses including those for debt service on both its existing and newly assumed long term debt are estimated to be approximately \$83,520 during the first year of operations after completion of the proposed construction.

7. That the existing rates charged by the Utility as prescribed by Order entered October 5, 1978 in Case NO. 6771, should produce revenues of approximately \$87,946 during the first year of

operations after completion of the proposed construction including projected new revenues of \$48,900 from 265 new customers and miscellaneous income. Further, that said revenues from existing rates should result in a net income of approximately \$4,940 for the said period of operations.

8. That the delinquent debt service of approximately \$26,750 being refinanced as a part of the Utility's \$886,125 total financing in this matter satisfies that part of this Commission's Order in Case No. 6771 which found and ordered:

"That the Larue County Water District No. 1 shall seek financial assistance from all available lending institutions and agencies, public, governmental, or otherwise, to refinance past debt service requirements, if required, and report to this Commission the results of such efforts."

9. That the Utility has not satisfied that part of this Commission's Order in Case No. 6771 regarding the detection and correction of excessive unaccounted for water. Further that the Utility should continue its corrective measures within this operational problem area as set forth in the said Order and file monthly reports with this Commission until its unaccounted for water has been reduced to 15% or less for three (3) consecutive months.

10. 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. Further, that said cost documents should clearly separate the costs for major components of the system: the master metering station, the storage tank, distribution mains, customer service connections, etc.

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

12. That within sixty days of the date of substantial completion of this construction, the Utility 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 com-

pleted 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 project for water distribution system improvements on which construction bids in the amount of \$481,096 have been received, all in accordance with the contract plans and specifications filed in this matter.

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

IT IS FURTHER ORDERED that the Utility shall obtain certification from this Commission for the proposed \$245,175 additional work before construction thereon is begun. Further, that construction of the line to Magnolia shall have priority over the other proposed construction.

IT IS FURTHER ORDERED that the Utility be and it is hereby authorized to finance the initial project scope of approximately \$640,950 and the proposed \$245,175 additional construction with the \$886,125 financing that has been secured as follows: \$33,125 contributions in aid of construction from applicants for service, a \$627,000 FmHA grant and a 40-year FmHA loan in the amount of \$226,000 at FmHA's current rate of interest. Further, that this \$886,125 in project funds shall be used only for the lawful objects as set forth in the application.

IT IS FURTHER ORDERED that the existing rates for the Utility as prescribed and set forth by an Order of this Commission entered October 5, 1978 in Case No. 6771 shall be ratified and remain in effect until such time as they are changed by this Commission. Further, that all other matters set forth by the said Order and not specifically altered or deleted herein shall remain in effect.

IT IS FURTHER ORDERED that the Utility shall file with the 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.) in accordance with Finding No. 10 herein within sixty (60) days of the date that construction is substantially completed.

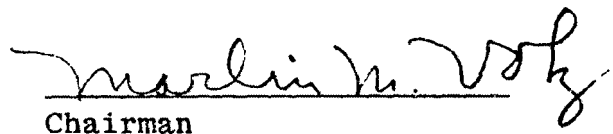
IT IS FURTHER ORDERED that the contract between the Utility and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident inspection to insure that the contractor's construction work conforms to the best construction practices and is done in accordance 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 and was done 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 16th day of March, 1981.

PUBLIC SERVICE COMMISSION


Chairman

~~Did not participate.~~
Vice Chairman


Commissioner

ATTEST:

Secretary