

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of

THE APPLICATION OF EAST DAVIESS)
COUNTY WATER ASSOCIATION, INC.,)
ORGANIZED PURSUANT TO CHAPTER 273,)
OF THE KENTUCKY REVISED STATUTES,)
FOR (1) A CERTIFICATE OF PUBLIC CON-)
VENIENCE AND NECESSITY, AUTHORIZING)
AND PERMITTING SAID WATER ASSOCIATION)
TO CONSTRUCT A WATERWORKS CONSTRUCTION)
PROJECT, CONSISTING OF EXTENSIONS,)
ADDITIONS AND IMPROVEMENTS TO THE) CASE NO. 8091
EXISTING WATERWORKS SYSTEM: (2) AP-)
PROVAL OF PROPOSED PLAN OF FINANCING:)
(3) APPROVAL OF THE INCREASED WATER)
RATES PROPOSED TO BE CHARGED BY THE)
ASSOCIATION TO CUSTOMERS OF THE ASSO-)
CIATION: (4) APPROVAL TO ESTABLISH A)
WATER PURCHASED ADJUSTMENT TARIFF)
PROVISION)

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

On December 4, 1980, the East Daviess County Water Association, Inc. (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 extensions, additions, and other improvements to its existing water distribution system. The Utility also seeks approval of the proposed method of financing the project and approval of proposed adjustments to its existing rates for providing water service. Approximately 1135 customers are currently being served by the Utility.

A hearing was set on the Construction and Financing aspects of the application in Frankfort, Kentucky, January 20, 1981. All parties of interest were notified and no protests were entered.

This Interim Order addresses the construction and financing proposals of the Utility in order to facilitate the acceptance of the current construction bids on this project which expire February 6, 1981. A subsequent Order of this Commission will address the matter of the adjustment in rates sought by the Utility.

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, the Commission received testimony on said matters at the January 20, 1981, hearing. The evidentiary record of the said hearing established the basis for entering this Order addressing the certification of the Utility's proposed construction and the financing thereof.

2. Testimony regarding the Utility's proposed rate adjustments has not been received as of the date of this Order; therefore, no specific findings can be made herein regarding the proposed rates or the "Revenue Requirements" to be covered by the new rates. Generally, however, the Commission's determinations of revenue requirements have included the utility's obligations for servicing both the proposed and existing long-term debt as well as all reasonable costs for operations, maintenance and management. The rates that have been set in each instance have been those that should produce the required revenue. FmHA, as the holder of this Utility's existing mortgages,⁽¹⁾ has stipulated certain debt-service coverage requirements. The Commission finds that the said requirements are reasonable and should be considered in the determination of revenue requirements in the instant case.

3. That Public Convenience and Necessity requires construction of the Utility's proposed Waterworks Project in Daviess County Kentucky, as set forth in the application.

(1) The existing debt is the balance owed on existing notes and mortgages to the FmHA in the original amounts of \$351,000 and \$520,000 on which annual debt service approximates \$51,650.

4. That the construction project proposed by the Utility consists of improvements to a treated water pumping station, a 300,000 gallon elevated storage tank, other appurtenances and improvements and approximately 16.38 miles of additional water distribution mains as follows: 49,600 feet of 6 inch pipe, 14,500 feet of 4 inch pipe, 23,000 feet of 3 inch pipe and 43 service connections; all at a total project cost of approximately \$656,400.

5. 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.

6. That the Utility has secured \$800,000 for financing the proposed construction: \$10,700 contributions from applicants for water service, a \$554,000 loan from FmHA and a \$235,300 grant from FmHA. Further, that an exceptionally favorable market for obtaining bids has placed the Utility in a position wherein a project for additional water main construction can be planned. The FmHA recognizes the needs for water main extensions that can provide water service to additional homes in the Utility's service area and has agreed that the \$143,600 surplus for the current project can be used for this purpose. The current project must, however be 80% complete before FmHA will release any of the \$143,600 for the additional construction now being planned by the Utility. The Commission, therefore, finds that approval of the \$800,000 financing should be granted with the understanding that plans for the additional work will be submitted for Commission approval 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.

7. That the Utility 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, 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 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 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 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 \$656,400 proposed project for water distribution system improvements 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 approval of this Commission for the proposed \$143,600 additional work before construction thereon is begun.

IT IS FURTHER ORDERED that the Utility be and it is hereby authorized to finance this \$656,400 project and the proposed \$143,600 additional construction with the \$800,000 financing that has been secured as follows: \$10,700 contributions in aid of construction from applicants for service, a \$235,300 FmHA Grant

and a 40-year FmHA Note and Mortgage in the amount of \$554,000 at FmHA's current rate of interest. Further, that this \$800,000 in project funds shall be used only for the lawful objects as set forth in the application.

IT IS FURTHER ORDERED that the Utility 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.) 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.

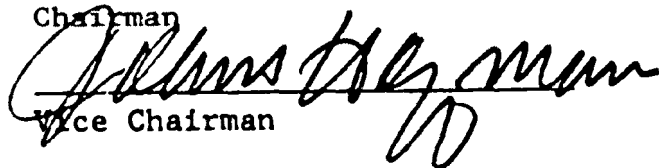
IT IS FURTHER ORDERED that the Utility shall require the Engineer, within sixty (60) days of substantial completion of the proposed construction, to furnish this Commission with a copy of the "As-Built Plans" and a certification that the construction has been satisfactorily completed and was done in 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 4th day of February, 1981.

UTILITY REGULATORY COMMISSION

Chairman



Vice Chairman

Commissioner

ATTEST:

Secretary