

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF SIMPSON COUNTY)
WATER DISTRICT, SIMPSON COUNTY,)
KENTUCKY, (1) FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
AUTHORIZING SAID DISTRICT TO)
CONSTRUCT MAJOR IMPROVEMENTS AND)
EXTENSIONS TO ITS EXISTING MUNICIPAL) CASE NO. 8266
WATER DISTRIBUTION SYSTEM PURSUANT)
TO THE PROVISIONS OF CHAPTER 74 OF)
THE KENTUCKY REVISED STATUTES; (2))
SEEKING APPROVAL OF THE ADJUSTMENT)
OF WATER SERVICE RATES AND CHARGES;)
AND (3) SEEKING APPROVAL OF THE)
ISSUANCE OF CERTAIN SECURITIES)

INTERIM ORDER

This Order supplements Interim Orders entered on December 15, 1981, and March 17, 1982, in response to a petition filed June 24, 1981, by Simpson County Water District ("Simpson Water") and following formal hearings held October 13, 1981, and October 29, 1981.

The December 15, 1981, Order authorized Phase I, a \$390,240 construction project for which \$814,600 ⁽¹⁾ financing had been secured prior to project advertisement. That Order addressed the funded surplus of approximately \$424,360 to be used for further improvements on which bids were to be received during the

(1) The \$829,600 financing includes \$21,600 in contributions from applicants for water service (Phase I), \$15,000 in contributions from applicants for water service (Phase II) and \$793,000 FmHA loan at 5 percent interest with a 40-year amortization period.

first quarter of 1982 (Phase II). The rate determination in the Order entered March 17, 1982, included the debt service expense on Simpson Water's financing for the construction authorized December 15, 1981, (Phase I) and the supplemental construction (Phase II) now proposed for authorization.

On May 18, 1982, Simpson Water filed an Amendment to Petition seeking approval of Phase II of the improvements to its water distribution system. The Amendment and supporting documents were filed in compliance with a requirement of the December 15, 1981, Order.

The low bid received for Phase I was \$308,949 and the low bid for Phase II was \$270,361. Phase I and Phase II will require about \$749,910 of the total \$829,600 available funds after allowances are made for fees, contingencies and other indirect costs. The balance of about \$79,690 will be used for financing further improvements to the Simpson Water distribution system.

Simpson Water's Amendment to Petition; its engineering plans, specifications, tabulations of bids and recommendation for proceeding with construction on the basis of the low bid; and a letter from the Department for Natural Resources and Environmental Protection approving this proposed construction complete the record for purposes of the determinations made herein.

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

1. Public convenience and necessity require construction of the Phase II facilities now proposed by Simpson Water, as more particularly defined by the contract documents filed with the

Amendment to Petition. Further, this construction supplements the project approved in the Order entered December 15, 1981, which is now substantially completed.

2. The construction includes 91,549 linear feet of 4-inch P.V.C. pipe, 33,051 linear feet of 3-inch P.V.C. pipe, 158 service connections, 295 linear feet of steel casing pipe and other miscellaneous items and appurtenances. Simpson Water received bids on May 11, 1982, for this work from 13 contractors. The low bid was \$270,361. The high bid was 665,651. The average of all 13 bids was \$386,984 and the average for the low 4 bids was \$277,664. The engineer has recommended that the low bidder, United Pipeline Construction, be awarded a contract for construction on the basis of the \$270,361 low bid. The Commission recognizes that the cost of Phase I and Phase II will be about \$749,910, leaving a remaining balance of Simpson Water FmHA-secured funds of approximately \$79,690 after contingencies, fees and other indirect costs. Further, an exceptionally favorable market for obtaining bids has allowed Simpson Water to plan a project for additional water main construction. The FmHA recognizes the need for water main extensions that can provide water service to additional homes in Simpson Water's service area and has agreed that the \$79,690 surplus for the current project can be used for this purpose. The current project must, however, be 80 percent complete before FmHA will release any of the \$79,690 for the additional construction now being planned by Simpson Water. Plans for any additional work should be submitted for Commission approval before construction thereon is begun.

3. Findings 3, 4, 6, 7 and 8 of the December 15, 1981, Order should be fully applicable to this phase of construction the same as if fully written herein.

The Commission, on the basis of the matters set forth herein and the evidentiary record in this case, HEREBY ORDERS that:

1. Simpson Water be and it hereby is granted a certificate of public convenience and necessity for construction of Phase II, a \$270,361 supplementary project to that approved by the Order of December 15, 1981. The actual amount of the lowest bid for this work is \$270,361, which does not include contingencies, fees and other indirect cost of construction work.

2. Simpson Water be and it hereby is authorized to utilize approximately \$79,690 of its \$829,600 funds for additional water system improvements. Further, no construction work on the additional water system improvements shall be started without first obtaining approval from this Commission.

3. Simpson Water, upon receipt of the Order, will be in compliance with the fourth ordering paragraph of the December 15, 1981, Order which required this Commission's approval before construction of the work approved herein was begun.

4. Simpson Water, on the basis of the scope and financing cost of the work approved herein, is in compliance with that part of the fourth ordering paragraph of the December 15, 1981, Order which allowed an amount of \$424,360 for the construction approved herein.

Done at Frankfort, Kentucky, this 26th day of July, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Votz
Chairman

Katherine Randall
Vice Chairman

Len Canipe
Commissioner

ATTEST:

Secretary