

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of

THE APPLICATION OF WEST CARROLL WATER)
DISTRICT, CARROLL COUNTY, KENTUCKY,)
(1) FOR A CERTIFICATE OF CONVENIENCE)
AND NECESSITY AUTHORIZING SAID DISTRICT)
TO CONSTRUCT ADDITIONS TO A WATER DISTRI-)
BUTION SYSTEM PURSUANT TO KRS CHAPTERS 74) CASE NO. 8312
AND 106; (2) SEEKING APPROVAL OF A NEW)
SCHEDULE OF RATES AND CHARGES TO BE)
CHARGED FOR WATER SERVICE; AND (3) SEEK-)
ING APPROVAL OF THE ISSUANCE OF CERTAIN)
SECURITIES)

INTERIM ORDER

The West Carroll Water District ("West Carroll") filed its application on August 10, 1981, for approval of adjustments to its water service rates, a certificate approving proposed additions and extensions in the amount of \$488,500, approval to borrow \$114,000 from the Farmers Home Administration ("FmHA") and authority to issue waterworks revenue bonds as security therefor. The proceeds from the \$114,500 loan along with a \$351,000 FmHA grant and \$23,500 from applicants for water service are to be used for making the system's additions and extensions on which bids were received on October 28, 1981, and for further additions and extensions to be constructed by change orders. The construction change orders must be approved by the FmHA and the Public Service Commission.

West Carroll is now serving about 310 customers. The proposed construction as bid will add about 100 new customers

and the additions and extensions to be constructed by change orders to the as-bid construction should add about 55 customers.

Plans and specifications for the proposed construction as bid have been approved by the Division of Water of the Department for Natural Resources and Environmental Protection.

A hearing was held November 12, 1981, in the offices of the Public Service Commission, Frankfort, Kentucky, on West Carroll's proposed rate adjustments, its financing and the granting of a certificate for the proposed construction as bid. There were no intervenors in this proceeding.

The Commission will address the proposed rates in its final order in this case. A fundamental ratemaking principle is that a utility under efficient management should be allowed rates sufficient to produce revenues which cover its reasonable operating expenses and interest cost, and provide a margin which allows growth in surplus. This principle not only insures that the utility has adequate cash flow in the form of depreciation but also that the customer does not pay for imprudently incurred costs.

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

1) The public convenience and necessity require that the construction proposed in the application and record be performed, and that a certificate of public convenience and necessity be granted.

2) The proposed construction project as bid will provide service to about 100 new customers located within the

service area boundaries of West Carroll. It includes about 23.7 miles of water main and miscellaneous appurtenances thereto. The low bid received for this work is \$220,526, which will require about \$325,500 of the total \$488,500 available funds after allowances are made for fees, contingencies and other indirect cost. The balance of about \$163,000 will be used for financing the proposed additions and extensions to be constructed by change orders to the proposed construction project as bid using the unit prices of low bidder. The proposed additions and extensions to be constructed should provide service to about 55 additional customers. They include about 8 miles of water main and miscellaneous appurtenances thereto. The FmHA recognizes the need for these improvements to the water distribution system and has agreed that the funded surplus of about \$163,000 can be utilized to make them. Approval of the total FmHA financing is, therefore, in the public interest and should be granted at this time.

3) The County Judge-Executive of Trimble County, Kentucky, should receive a petition pursuant to KRS 74.110 from the Commissioners of West Carroll, of Carroll and Trimble Counties, Kentucky, requesting the Judge-Executive to enter an order enlarging the boundaries of West Carroll to include the areas to be served by West Carroll's proposed additions and extensions to be constructed by change orders before any construction is started outside the existing West Carroll service boundaries.

4) 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.

5) The proposed borrowing of \$488,500 is for lawful objects within the corporate purposes of West Carroll, is necessary and appropriate for and consistent with the proper performance of services to the public by West Carroll, will not impair its ability to perform these services and is reasonably necessary and appropriate for such purposes.

6) West Carroll should obtain approval of this Commission before any construction on the proposed addition and extensions to the construction project as bid is begun.

7) Within 60 days of the date of substantial completion of construction, West Carroll should furnish duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.).

8) The contract between West Carroll 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 contract plans and specifications.

9) Within 60 days of the date of substantial completion of construction, West Carroll should require the engineer to furnish to the Commission a copy of the as-built plans and a signed statement that the construction has been satisfactorily completed in accordance with contract plans and specifications.

IT IS THEREFORE ORDERED that West Carroll be and it is hereby granted a certificate of public convenience and necessity to proceed with the construction project as set forth in the plans and specifications of record herein.

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

IT IS FURTHER ORDERED that West Carroll be and it is hereby authorized to borrow \$488,500 from the Farmers Home Administration at 5 percent interest over a 40-year period with payment of principal deferred for 2 years and to issue waterworks revenue bonds as security therefor.

IT IS FURTHER ORDERED that the Commissioners of West Carroll, of Carroll and Trimble Counties shall petition the county Judge-Executive of Trimble County to enter an order enlarging the boundaries of West Carroll to include the areas to be served by West Carroll's proposed additions and extensions before the construction of water facilities to serve said areas is begun.

IT IS FURTHER ORDERED that West Carroll be and it is hereby authorized to utilize approximately \$325,500 of its \$488,500 in funds for water system improvements to finance its construction project as bid. Further, no construction work on the additions and extensions to the construction project as bid shall be started without first obtaining approval therefor from this Commission.

IT IS FURTHER ORDERED that within 60 days of the date of substantial completion of construction West Carroll shall file with this Commission duly verified documentation which shows

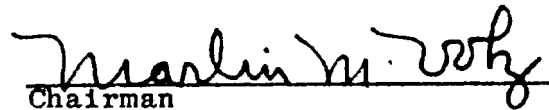
the total costs of the construction herein certificated including all capitalized costs (engineering, legal, administrative, etc.).

IT IS FURTHER ORDERED that the contract between West Carroll 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 within 60 days of the date of substantial completion of construction West Carroll shall require the engineer to furnish this Commission with as-built drawings and a signed statement that the construction has been satisfactorily completed and has been done in accordance with the contract plans and specifications.

Done at Frankfort, Kentucky, this 20th day of January, 1982.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary