

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE CERTIFICATION OF PROPOSED )  
IMPROVEMENTS, APPROVAL OF THE )  
PROPOSED PLAN FOR FINANCING THE )  
IMPROVEMENTS AND APPROVAL OF AN ) CASE NO. 8359  
ADJUSTMENT IN THE WATER SERVICE )  
RATES OF THE JONATHAN CREEK )  
WATER ASSOCIATION )

O R D E R

Jonathan Creek Water Association, Inc., of Marshall County, Kentucky, ("Jonathan Creek") filed an application on October 5, 1981, for approval of the financing and certification of the construction of a waterworks improvements project estimated to cost \$384,000. Water service rate adjustments were also requested by Jonathan Creek.

After the receipt of construction bids on March 18, 1982, Jonathan Creek found that additional funding in the amount of \$61,000 would be needed. The Farmers Home Administration ("FmHA") has agreed to provide the additional funds.

Jonathan Creek's initial financing has now been increased from \$384,000 to \$445,000 and includes an FmHA grant of \$242,000 and two FmHA loans totalling \$203,000. The loan repayment period is to be 40 years, with a 2-year deferment on the initial principal payment. The FmHA interest rate will be 5 percent on the initial loan commitment of \$142,000 and

12.375 percent on the \$61,000 loan commitment obtained after construction bids were received. Waterworks revenue bonds are to be issued as security for these two loans.

This Commission's Interim Order of April 6, 1982, addressed the proposed rate adjustments and set the rates now in effect for Jonathan Creek. This Order will address the construction and financing proposals of Jonathan Creek.

The plans and specifications prepared by Morton-Lyne and Associates of Nashville, Tennessee, ("Engineer") have been approved by the Division of Water of the Department for Natural Resources and Environmental Protection and are a part of the record in this matter.

A Commission hearing was held January 12, 1982, in Frankfort, Kentucky, and no protests were entered.

Jonathan Creek has complied with all requests for additional information, and the record is considered to be complete for the purposes of making this Order.

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

1. 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 will serve the increasing demands of a growing population by the addition of greater pumping, treatment and storage capacity to the existing

facilities. The construction will provide for the pumping of a larger volume of both raw water and treated water and modifications to the water treatment plant and will add a 100,000-gallon storage tank to the distribution system. This construction does not include service connections for new customers and can be classified as non-revenue producing construction.

3. Any deviations from the approved construction which could adversely affect service to any customer should be subject to the prior approval of this Commission.

4. The proposed borrowing of \$203,000 is for lawful objects within the corporate purposes of Jonathan Creek, is necessary and appropriate for and consistent with the proper performance of services to the public by Jonathan Creek, will not impair its ability to perform these services and is reasonably necessary and appropriate for such purposes.

5. This Commission, by its April 6, 1982, Interim Order, set rates necessary to provide Jonathan Creek an opportunity to recover its reasonable operating costs, service its debt and provide a reasonable surplus for equity growth.

6. Jonathan Creek 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.) within 60 days of the date that construction is substantially completed.

7. Jonathan Creek's contract with the Engineer should require the provision of full-time resident inspection under

the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision and inspection should insure that the construction work is done in accordance with the contract plans and specifications and conforms with the best practices of the construction trades involved in the project.

8. Jonathan Creek should require the Engineer to furnish a copy of the record plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

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

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

IT IS FURTHER ORDERED that Jonathan Creek be and it hereby is authorized to borrow \$142,000 at 5 percent and \$61,000 at 12.375 percent from the FmHA 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 Jonathan Creek's plan of financing in the amount of \$445,000 be and it hereby is approved.

IT IS FURTHER ORDERED that Jonathan Creek shall file with this Commission duly verified documentation which shows the total costs of construction herein authorized including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the contract between Jonathan Creek and the Engineer shall require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision and inspection shall insure that the construction work is done in accordance with the contract plans and specifications and conforms with the best practices of the construction trades involved in the project.

IT IS FURTHER ORDERED that Jonathan Creek shall require the Engineer to furnish this Commission with a copy of the record plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications, within 60 days of the date that construction is substantially completed.

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 12th day of July, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Vohs  
Chairman

Katherine Sandall  
Vice Chairman

Ken Rausin  
Commissioner

ATTEST:

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Secretary