

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE GREEN HILLS)
WATER DISTRICT, A WATER DISTRICT)
ORGANIZED PURSUANT TO CHAPTER 74 OF)
THE KENTUCKY REVISED STATUTES, OF)
HARLAN COUNTY, KENTUCKY, FOR (1) A)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY, AUTHORIZING AND PERMITTING)
SAID WATER DISTRICT TO CONSTRUCT A NEW)
WATERWORKS DISTRIBUTION SYSTEM, CON-) CASE NO. 8364
SISTING OF A PUMPING STATION AND THE)
NECESSARY DISTRIBUTION SYSTEM AND)
LINES NEEDED TO SERVE WATER TO SAID)
DISTRICT; (2) APPROVAL OF THE PROPOSED)
PLAN OF FINANCING OF SAID PROJECT; AND)
(3) APPROVAL OF THE WATER RATES PRO-)
POSED TO BE CHARGED BY THE DISTRICT TO)
CUSTOMERS OF THE DISTRICT)

O R D E R

The Green Hills Water District ("Green Hills") filed an application on October 9, 1981, for approval of the financing, and certification of the construction of a \$768,500 project for extending water services to about 161 applicants for service. Green Hills also requested approval of its proposed water service rates.

The financing includes \$21,700 from applicants for service, contributions in aid of construction of \$69,000 from Harlan County Coal Severance Funds, a \$52,000 grant from the Cumberland Valley Area Development District, a \$437,800 grant from the Farmers Home Administration ("FmHA") and a \$188,000 loan from

the FmHA. The loan repayment period is to be 40 years at 5 percent with principal repayment deferred for the first 2 years. Waterworks revenue bonds are to be issued as security for the loan.

Green Hills' existing facilities, contributed by the Green Hills Elementary School, include a source of supply, a raw water main, an 86,000 gallon per day water treatment plant and a 40,000 gallon storage tank.

A copy of a letter from the Division of Water of the Department for Natural Resources and Environmental Protection approving the plans and specifications as prepared by Mayes, Sudderth and Etheredge, Inc., ("Engineer") is on file with this Commission.

A hearing was held on March 23, 1982, in the offices of the Public Service Commission, at Frankfort, Kentucky. There were no intervenors, and no protests were entered.

This is a proposed rather than operating utility and test-year information does not exist. Estimated pro forma expenses were utilized in the determinations made herein for revenue requirements and the reasonableness of rates.

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

1. The proposed construction is compatible with the facilities contributed by the Green Hills Elementary School

and the public convenience and necessity require that this construction be performed and a certificate of public convenience and necessity be granted.

2. The proposed construction of storage and distribution system improvements includes storage tanks of 20,000-gallon and 40,000-gallon capacity, 6,300 feet of 6-inch pipe, 32,500 feet of 4-inch pipe, 46,700 feet of 3-inch pipe, 7,800 feet of 2-inch pipe, 161 service connections, 6 fire hydrants and other improvements at a total project cost of approximately \$768,500 based on the total of low bids received January 4, 1982, of \$622,388.50.

3. The lengths of certain small diameter pipe as proposed for construction do not meet the requirements of section 11.(2)(a) of 807 KAR 5:066. The maximum length of non-circulating 2-inch and 1-inch pipe shall not exceed 250 and 100 feet, respectively. Larger diameter pipe should be substituted for 2-inch pipe and 1-inch pipe throughout the proposed construction to effect compliance with Section 11.(2)(a) of 807 KAR 5:066. Green Hills should direct its Engineer to make the necessary changes to the plans of record herein and to file a report of compliance with this finding within 30 days of the date of this order.

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

5. The proposed borrowing of \$188,000 is for lawful objects within the corporate purposes of Green Hills, is necessary and appropriate for and consistent with the proper performance of services to the public by Green Hills, will not impair its ability to perform these services and is reasonably necessary and appropriate for such purposes.

6. The bond resolution filed March 22, 1982, by Green Hills requires that at least \$20,000 be deposited in an "Initial Operations and Maintenance Reserve Account." This account should be established by Green Hills and used proportionately over the first 5 years of operations to supplement initial operating revenues.

7. The projected annual revenue requirements of Green Hills total \$30,400 including \$15,100 for maintenance and operations and \$13,375 for debt service on the \$188,000 to be borrowed from FmHA.

8. The rates in Appendix A should produce gross annual revenues of about \$31,000. This revenue along with proportionate supplements from the Initial Operations and Maintenance Reserve Account should be sufficient to meet operating expenses, service the debt and provide for the accumulation of a marginal surplus. These rates should, therefore, be fixed as the fair, just and reasonable rates for water service rendered by Green Hills.

9. The rates proposed by Green Hills would produce revenues in excess of those found reasonable herein, would not be in compliance with KRS 278.030 and should, therefore, be denied.

10. A 5/8-inch X 3/4-inch meter should be the standard customer service meter and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter. Any customer with a larger meter, with the exception of special contract customers, should pay the minimum bill for the larger meter in accordance with Green Hills' approved rate schedules.

11. Green Hills 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.

12. Green Hills' contract with its 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 in conformance with the best practices of the construction trades involved in the project.

13. Green Hills 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.

14. Green Hills should file with this Commission a copy of all contractual agreements for the provision of services or the purchase of services which are subject to the approval of this Commission.

IT IS THEREFORE ORDERED that Green Hills be and it is hereby granted a certificate of public convenience and necessity to proceed with the proposed construction as set forth in the contract plans, specifications and finding number three herein.

IT IS FURTHER ORDERED that Green Hills shall direct its Engineer to make the changes in small diameter pipe in accordance with finding number three herein. Further, a report of compliance shall be filed with this Commission within 30 days of the date of this order.

IT IS FURTHER ORDERED that any deviations from the approved construction, as modified by finding number three 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 Green Hills be and it is hereby authorized to borrow \$188,000 from the Farmers Home Administration at 5 percent 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 approval of Green Hills' plan of financing in the amount of \$768,500 be and it is hereby approved.

IT IS FURTHER ORDERED that Green Hills shall establish a \$20,000 Initial Operations and Maintenance Reserve Account to be utilized proportionately over the first 5 years of operations to supplement initial operating revenues in accordance with its bond ordinance and finding number six herein.

IT IS FURTHER ORDERED that the rates and charges in Appendix A be and they are hereby fixed as the fair, just and reasonable rates for services to be rendered by Green Hills upon completion of the construction of this project.

IT IS FURTHER ORDERED that the rates proposed by Green Hills in as far as they differ from the Appendix A rates be and they are hereby denied.

IT IS FURTHER ORDERED that a 5/8-inch X 3/4-inch meter shall be the standard customer service meter and shall be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter. Further, any customer with a larger meter, with the exception of special contract customers, shall pay the minimum bill for the larger meter in accordance with the approved meter size rate schedule.

IT IS FURTHER ORDERED that Green Hills shall file with this Commission duly verified documentation which shows the total costs of construction herein certificated 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 Green Hills and its 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 Green Hills shall require the Engineer to furnish this Commission with a copy of the record drawings and a signed statement that the construction has been satisfactorily completed and done in accordance with the contract plans and specifications, within 60 days of the date of substantial completion of the proposed construction.

IT IS FURTHER ORDERED that Green Hills shall file with this Commission a copy of all contractual agreements for the provision of services or for the purchase of services which are subject to the approval of this Commission.

IT IS FURTHER ORDERED that Green Hills shall file its initial tariff sheets with this Commission setting out the rates and charges approved herein within 60 days of the date of this order. Further, a copy of Green Hills' operating rules and regulations shall be filed with its tariffs.

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 14th day of April 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Vohz
Chairman

Katherine Randall
Vice Chairman

Jim Carrigan
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8364 DATED APRIL 14, 1982

The following rates are prescribed for Green Hills Water District located in the community of Bledsoe, in Harlan County, Kentucky:

<u>Rates</u>	<u>Amount</u>
First 2,000 gallons	\$10.50 minimum charge
Next 6,000 gallons	5.20 per 1,000 gallons
Over 8,000 gallons	2.50 per 1,000 gallons