

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE BATH COUNTY)
WATER DISTRICT, OF BATH COUNTY,)
KENTUCKY, FOR (1) A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
AUTHORIZING AND PERMITTING SAID WATER)
DISTRICT TO CONSTRUCT A WATERWORKS) CASE NO. 8388
CONSTRUCTION PROJECT, CONSISTING OF)
EXTENSIONS, ADDITIONS, AND IMPROVE-)
MENTS TO THE EXISTING WATERWORKS)
SYSTEM OF THE DISTRICT; AND (2) AP-)
PROVAL OF THE PROPOSED PLAN OF FINANC-)
ING OF SAID PROJECT.)

O R D E R

The Bath County Water District filed an application on November 23, 1981, for approval of the financing and certification of the construction of a \$399,150 project for extending water services to about 91 applicants for service. No adjustment in rates was requested.

The financing includes \$27,350 from applicants for service, contributions in aid of construction of \$150,000 from the Bath County Fiscal Court, a \$50,000 grant from the Gateway Area Development District, a \$65,800 grant from the Farmers Home Administration ("FmHA") and a \$106,000 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.

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 January 19, 1982, at the office of the Commission, 730 Schenkel Lane, Frankfort, Kentucky. All parties of interest were notified, and no protests were entered.

The Commission, after consideration of the 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 of storage and distribution system improvements includes a 60,000 gallon storage tank, 43,025 feet of 6-inch pipe, 440 feet of 4-inch pipe, 2,775 feet of 2-inch pipe, 80 service connections, three fire hydrants and other improvements at a total project cost of approximately \$343,150 based on the total of low bids received December 29, 1981, of \$249,110.

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. Larger diameter pipe should be substituted for that shown on plan sheets 4, 8, 9 and 13 at the following locations:

- (a) Northeast of Preston - a branch line off the KY965 water main at station 78 + 70: substitute a pipe diameter of not less than 3-inch for the 1,140 feet of 1-inch pipe shown on plan sheet 4.
- (b) The Blevins Valley Road near Preston - a branch line off the KY965 water main at station 203 + 00: substitute a pipe diameter of not less than 3-inch for the 390 feet of 2-inch pipe shown on plan sheet 8.
- (c) A side street in Preston - a branch line off the KY965 water main at station 223 + 85: substitute a pipe diameter of not less than 2-inch for the 110 feet of 1-inch pipe shown on plan sheet 9.
- (d) A side street in Preston - a branch line off the KY965 water main at station 227 + 90: substitute a pipe diameter of not less than 3-inch for the 1,220 feet of 2-inch pipe shown on plan sheets 8 and 9.
- (e) A side street in Preston - a branch line off the KY965 water main at station 229 + 00: substitute a pipe diameter of not less than 3-inch for the 280 feet of 2-inch pipe shown on plan sheet 9.
- (f) A side street off the Kendall Springs Road in Preston at end of proposed construction: substitute a pipe diameter of not less than 2-inch for the 200 feet of 1-inch pipe shown on plan sheet 9.
- (g) The Tunnel Hill Road northwest of Owingsville - a branch line off the KY36 water main at station 100 + 50: substitute a pipe diameter of not less than 3-inch for the 580 feet of 2-inch pipe shown on plan sheet 13.

(Stations and pipe lengths are approximate.)

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 \$106,000 is for lawful objects within the corporate purposes of the Bath County Water District, is necessary and appropriate for and consistent with the proper performance of services to the public by the Bath County Water District, will not impair its ability to perform these services and is reasonably necessary and appropriate for such purposes.

6. The \$399,150 in project funds is about \$56,000 more than will be required for the construction approved herein. The additional improvements to be made with this \$56,000 should be those of greatest benefit to the delivery of water services by the Bath County Water District. A listing of such improvements in order of priority should be furnished to the Commission for approval before any commitments are made for their construction. With this stipulation, the Commission finds that the Bath County Water District's plan of financing should be approved.

7. The Bath County Water District 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.

8. The contract between the Bath County Water District 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 the contract plans and specifications.

9. The Bath County Water District 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.

10. The quantity of water lost in the Bath County Water District's distribution system is excessive ⁽¹⁾ and adversely affects operating costs. As a corrective measure, the Bath County Water District should establish and maintain an ongoing program for leak detection and correction and file monthly reports with this Commission until such time as its distribution system losses have been reduced to 15 percent or less for 3 successive months. The reports should include gallonage and percentages of water produced, sold, required for utility operations and unaccounted for.

IT IS THEREFORE ORDERED that the Bath County Water District 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 the Bath County Water District shall direct its Engineer to make the changes in small diameter pipe in accordance with finding number three herein. Further, a letter of compliance shall be filed with this Commission within 30 days of the date of this order.

(1) The utility's annual reports, as filed with this Commission, for calendar years 1980, 1979, and 1978 show that unaccounted-for water for these years was 19%, 22% and 27%, respectively.

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 the Commission.

IT IS FURTHER ORDERED that the Bath County Water District be and it is hereby authorized to borrow \$106,000 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 the Bath County Water District's plan of financing in the amount of \$399,150 be and it is hereby approved. Further, the Commission's approval of the improvements to be made with the funded surplus of about \$56,000 shall be obtained before any construction thereon is begun.

IT IS FURTHER ORDERED that the Bath County Water District 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 the Bath County Water District 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.

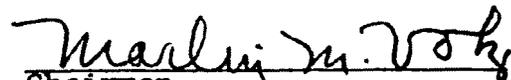
IT IS FURTHER ORDERED that the Bath County Water District shall require the Engineer to furnish this Commission with a copy of the record drawings and a signed statement that the construction has been satisfactorily completed and was done in accordance with the contract plans and specifications within 60 days of the date of substantial completion of the proposed construction.

IT IS FURTHER ORDERED that the Bath County Water District shall establish and maintain an ongoing program for leak detection and correction as set forth in finding number 10 herein. Further, the Bath County Water District shall file monthly reports with the Commission on this matter until such time as its unaccounted-for water has been reduced to 15 percent or less for 3 successive months.

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 23rd day of March, 1982.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary