

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE NORTH
HOPKINS WATER DISTRICT, A WATER
DISTRICT ORGANIZED PURSUANT TO
CHAPTER 74 OF THE KENTUCKY
REVISED STATUTES, OF HOPKINS
COUNTY, KENTUCKY, FOR (1) A
CERTIFICATE OF PUBLIC CONVENIENCE
AND NECESSITY, AUTHORIZING AND
PERMITTING SAID WATER DISTRICT TO
CONSTRUCT A NEW WATERWORKS DIS-
TRIBUTION SYSTEM, CONSISTING 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 PROPOSED TO BE CHARGED
BY THE DISTRICT TO CUSTOMERS OF
THE DISTRICT

CASE NO. 8500

O R D E R

On April 7, 1982, the North Hopkins Water District ("North Hopkins") filed an application for approval of the financing and certification of the construction of a \$323,000 waterworks project for a northeast section of Hopkins County, Kentucky. This initial project by North Hopkins will provide water service to about 117 applicants for service. North Hopkins also requested the approval of rates for services to be rendered after completion of construction.

The financing includes \$20,000 from applicants for service, \$75,000 from Hopkins County coal severance funds, and a \$228,000 loan from the Farmers Home Administration ("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.

This project is the initial phase of construction that has been planned by North Hopkins to serve the northeast area of Hopkins County. This Commission will consider the approval of additional projects for North Hopkins upon receipt of the appropriate applications.

The plans and specifications for the proposed construction, as prepared by Howard, Nielsen, Aldred, Henry and O'Brien, Inc., ("Engineer"), have been approved by the Division of Water of the Department for Natural Resources and Environmental Protection.

A hearing was held July 13, 1982, in the offices of the Public Service Commission in Frankfort, Kentucky. There were no intervenors, and no protests were entered.

Test Period

This is a proposed rather than an operating utility and test year information does not exist. Estimated pro forma expenses were utilized for the determination of revenue

requirements and the rates that should produce the required revenue.

Projected Revenues and Expenses

On July 20, 1982, North Hopkins filed an amended petition revising its proposed rates. The Commission is of the opinion that the revised rates will produce revenues that should be sufficient to cover North Hopkins' operating expenses, service its debt and provide a reasonable surplus.

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 includes a master metering station, 27,210 feet of 8-inch pipe, 19,120 feet of 6-inch pipe, 4,540 feet of 4-inch pipe, 840 feet of 3-inch pipe, about 114 service connections with standard size residential meters, a 2-inch metered connection, two 1-inch metered connections, and other appurtenant construction. The cost of this construction, according to the bids received July 8, 1982, will be about \$206,000. This cost is within the scope of project financing that has been secured by North Hopkins.

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 \$228,000 is for lawful objects within the corporate purposes of North Hopkins, is necessary and appropriate for and consistent with the proper performance of services to the public by North Hopkins, should not impair its ability to perform these services and is reasonably necessary and appropriate for such purposes.

5. North Hopkins' plan of financing in the amount of \$323,000 should be approved.

6. A 5/8" x 3/4" 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. Further, any customer with a larger meter, with the exception of special contract customers, should pay for the service in accordance with North Hopkins' approved meter size rate schedules.

7. North Hopkins 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. North Hopkins' 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.

9. North Hopkins 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. North Hopkins should file with the 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.

11. The charges for customer service connections for which applications and payment are received prior to commencement of construction should be as follows:

<u>Meter Size</u>	<u>Connection Charge</u>
5/8-inch x 3/4-inch	\$100
1-inch	\$250
2-inch	\$800

Charges for the above-listed connections for which applications and payment are received after the commencement of construction should be as set out in Appendix A of this Order.

IT IS THEREFORE ORDERED that North Hopkins be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction project as set forth in the 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 North Hopkins be and it hereby is authorized to borrow \$228,000 at 5 percent interest 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 North Hopkins' plan of financing in the amount of \$323,000 be and it hereby is approved. Further, this \$323,000 in project funds shall be used only for the lawful objects of North Hopkins as set forth in the application.

IT IS FURTHER ORDERED that the rates and charges proposed by North Hopkins in Appendix A be and they hereby are fixed as the fair, just and reasonable rates for services to be rendered by North Hopkins and shall become effective on the date that service is initiated.

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 for that service in accordance with North Hopkins' approved meter size rate schedule.

IT IS FURTHER ORDERED that North Hopkins shall file with the 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 North Hopkins 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 North Hopkins shall require the Engineer to furnish the 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 North Hopkins shall file with the 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 within 90 days of the date

of this Order North Hopkins shall file its tariff sheet setting forth the rates approved herein. Further, a copy of North Hopkins' operating rules and regulations shall be filed with its tariffs.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 16th day of September, 1982.

PUBLIC SERVICE COMMISSION

Martin M. Voth
Chairman

Katharine Sandale
Vice Chairman

Don Caruga
Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8500 DATED SEPTEMBER 16, 1982

The following rates and charges are prescribed for the customers in the area served by North Hopkins Water District:

Meter Rates: The following shall be the rates for monthly consumption, subject to the minimum charges provided for herein:

First	2,000 gallons	\$ 9.00 minimum bill
Next	1,000 gallons	4.00 per 1,000 gallons
Next	3,000 gallons	3.00 per 1,000 gallons
Next	4,000 gallons	2.50 per 1,000 gallons
Over	10,000 gallons	2.00 per 1,000 gallons

Minimum Charges: All metered customers shall pay a minimum charge based on the size of meter installed. Such minimum charge will entitle the customer to as much water as the charge will pay for at the scheduled meter rates. Water used in excess of such amount will be billed at the meter rate schedule.

5/8 - Inch x 3/4 - Inch Meter	\$ 9.00
3/4 - Inch Meter	19.00
1 - Inch Meter	32.00
1 1/2 - Inch Meter	112.00
2 - Inch Meter	212.00

Connection Charges

5/8 - Inch	\$ 350
3/4 - Inch	400
1 - Inch	500

Larger than 1 - Inch

Actual Cost of Installation