

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF FOUNTAIN RUN)	
WATER DISTRICT NO. 1, A WATER)	
DISTRICT ORGANIZED PURSUANT TO)	
CHAPTER 74 OF THE KENTUCKY)	
REVISED STATUTES, OF MONROE)	
COUNTY, KENTUCKY, FOR (1) A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY, AUTHORIZING AND)	
PERMITTING SAID WATER DISTRICT TO)	CASE NO. 9095
CONSTRUCT A NEW SEWAGE COLLECTION)	
AND DISPOSAL SYSTEM; (2) APPROVAL)	
OF THE PROPOSED PLAN OF FINANCING)	
OF SAID PROJECT; AND (3) APPROVAL)	
OF THE SEWER RATES PROPOSED TO BE)	
CHARGED BY THE DISTRICT TO ITS)	
SEWER CUSTOMERS)	

INTERIM ORDER

The Fountain Run Water District ("Fountain Run") by application filed July 9, 1984, and amended during the proceedings in this matter, is seeking the establishment of initial sewage service rates, authorization to construct a \$1,941,800 sewage collection and disposal system, and approval of its financing for the proposed project. Fountain Run's project financing includes a grant of \$1,518,000 from the Environmental Protection Agency ("EPA"), a grant of \$309,000 from the Farmers Home Administration ("FmHA") and a loan of \$114,000 from the FmHA at an annual interest rate of 5 percent.

Fountain Run will issue waterworks and sewer revenue bonds as security for the FMHA loans. The repayment period for the loan will be 40 years. The proposed improvements will provide sewage service to about 121 customers.

Plans and specifications for these improvements as prepared by Parrott, Ely and Hurt, of Lexington, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

This Interim Order will address the construction and financing portion of the application. A hearing on the proposed rates will be held at a future date and an Order addressing Fountain Run's rates will be entered subsequent to the hearing. In the final Order in this case, the Commission will set rates necessary to provide the utility with an opportunity to recover its reasonable operating costs, service its debt and provide a reasonable surplus for equity growth.

FINDINGS AND ORDERS

The Commission, after consideration of the application and evidence of 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 sewage collection and disposal system to provide sewage service for about 121 customers.

3. The low bids received for the proposed improvements totaled \$1,331,800 which will require about \$1,941,800 in project funding after allowances are made for fees, contingencies and other indirect costs.

4. Any deviations from the construction 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 \$114,000 is for lawful objects within the corporate purposes of Fountain Run, is necessary and appropriate for and consistent with the proper performance of services to the public by Fountain Run, and will not impair its ability to perform these services.

6. The financing secured by Fountain Run for this project will be needed to pay for the work herein approved. Fountain Run's financing plan should, therefore, be approved.

7. Fountain Run should file with the Commission duly verified documentation which shows the total costs of construction including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said construction costs shall be classified into appropriate plant accounts in

accordance with the Uniform System of Accounts for Sewer Utilities prescribed by this Commission.

8. Fountain Run's 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. The 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. Fountain Run 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. A valid third party beneficiary agreement is normally required from sewage utilities to insure the continuity of sewage service pursuant to 807 KAR 5:071. Fountain Run is a utility formed under KRS Chapter 74 and under the jurisdiction of the Commission. Sufficient evidence of financial integrity as will insure the continued operation of sewage service has been provided by virtue of the past history and current operations of Fountain Run. For these reasons, the Commission will waive its requirement of a third party beneficiary agreement in this case.

11. Fountain Run 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.

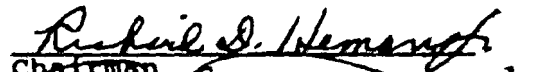

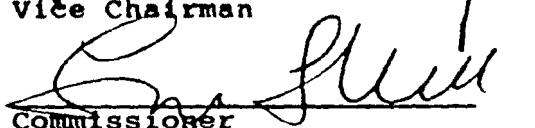
IT IS THEREFORE ORDERED that Fountain Run be and it hereby is granted a certificate of public convenience and necessity to proceed with the construction of the sewage collection and disposal system set forth in the plans and specifications of record hereby approved.

IT IS FURTHER ORDERED that Fountain Run shall comply with all matters set out in Finding Number 4 and Findings Numbered 6 through 11 as if the same were individually so ordered.

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 11th day of April, 1985.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary