

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE PULASKI)
COUNTY WATER DISTRICT NO. 2, A)
WATER DISTRICT ORGANIZED)
PURSUANT TO CHAPTER 74 OF THE)
KENTUCKY REVISED STATUTES, OF)
PULASKI COUNTY, KENTUCKY, FOR)
(1) A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY,)
AUTHORIZING AND PERMITTING SAID)
WATER DISTRICT FOR ADDITIONS AND)
IMPROVEMENTS TO THE WATERWORKS)
DISTRIBUTION SYSTEM, CONSISTING)
OF PUMPING STATIONS, WATER STOR-)
AGE TANKS AND THE NECESSARY)
DISTRIBUTION SYSTEM AND LINES)
NEEDED TO SERVE WATER TO SAID)
DISTRICT EXPANSION AREA,)
(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. 9199

INTERIM ORDER

The Pulaski County Water District No. 2 ("Pulaski") filed an application November 5, 1984, for approval of adjustments to its water service rates, authorization to construct a \$1,685,930 waterworks improvement project, and approval of its financing for the proposed project. The project financing includes \$164,000 from applicants for service in the proposed project area, a grant of \$743,930 from the Department of Economic Development, Commonwealth of

Kentucky, and \$778,000 from the issuance of waterworks revenue bonds. Pulaski anticipates issuing these bonds for a period of 30 years at 9 1/2 percent annual interest rate. The proposed improvements will provide water service to approximately 555 customers.

The construction plans and specifications of record in this matter were prepared by Crawford & Crawford Engineers, Inc., of Burnside, Kentucky, Clyde Mason, Consulting Engineer, of Nashville, Tennessee, and Kenvirons, Inc., of Frankfort, Kentucky, ("Engineers") and have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

A hearing on Pulaski's proposed construction and financing was held in the offices of the Public Service Commission, Frankfort; Kentucky, on March 13, 1985. There were no intervenors, and no protests were entered. 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 Pulaski's rates will be entered subsequent to the hearing. In the final Order in this case, the Commission will set rates necessary to provide Pulaski with an opportunity to recover its reasonable operating costs, service its debt and provide a reasonable surplus for equity growth.

CONTINUITY OF ADEQUATE AND RELIABLE SERVICE

Pulaski's Engineers have provided information and testimony which appear to indicate that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. The Commission is concerned, however, that Pulaski's service to its customers may not be totally adequate in the long term, due to the constraints of its existing water distribution system and the "marginal" sizing of various components of the proposed construction.

The Commission reminds Pulaski of its obligation to provide adequate and reliable service to all of its customers. Pulaski should monitor the adequacy of the expanded water distribution system after construction. If this monitoring indicates that the level of service is inadequate or declining, Pulaski must take necessary actions to maintain the level of service in conformance with the regulations of this Commission.

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 17,000-gallon water storage tank, a 200,000-gallon water storage tank, 2 booster pumping stations, about 57 miles of 8-, 6-, 4-, and 3-inch water main and miscellaneous appurtenances.

3. The low bids received for the proposed construction totaled \$1,229,651 which will require about \$1,685,930 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. Pulaski should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

6. Pulaski 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. The construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

7. Pulaski'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.

8. Pulaski 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.

9. A 5/8-inch x 3/4-inch meter should be the standard customer service meter for all new customers and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter.

10. Pulaski 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 financing secured by Pulaski for this project will be needed to pay for the work herein approved. Pulaski's financing plan should, therefore, be approved.

12. Pulaski should refund any service connection fees collected from potential customers who will not be served by the proposed construction.

IT IS THEREFORE ORDERED that Pulaski be and it hereby is granted a certificate of public convenience and necessity

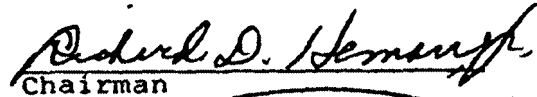
to proceed with the waterworks construction projects described by the plans and specifications of record herein approved.

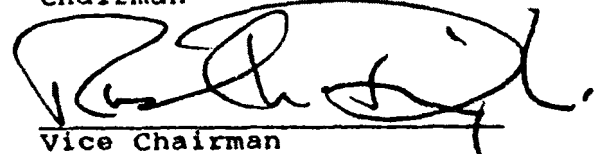
IT IS FURTHER ORDERED that Pulaski shall comply with Findings number 4 through 12 herein the same as if each of these findings were also ordered.

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 21st day of March, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary