

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CONSUMERS WATER)
DISTRICT, OF GRAVES COUNTY, KENTUCKY,)
FOR APPROVAL OF CONSTRUCTION AND) CASE NO. 9403
FINANCING)

O R D E R

The Consumers Water District ("Consumers"), by application filed August 15, 1985, and revised during the proceedings in this matter, is seeking authorization to construct a \$366,000 waterworks project, and approval of its financing for the proposed project. The project financing consists of a loan of \$366,000 from the Farmers Home Administration ("FmHA"). The FmHA loan will be secured by waterworks revenue bonds maturing over a 40-year period at an interest rate of 7 1/8 percent per annum.

The proposed construction will provide an additional source of supply and an additional water storage tank.

Plans and specifications for the construction prepared by Crawford Construction Company, Paducah, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet

COMMENTARY

Consumers is a non-profit water utility engaged in the distribution and sale of water to approximately 930 customers in south central Graves County. There are seven other non-profit

water utilities providing water service in Graves County. The Fancy Farm Water District, the Hardeman Water District, the Hendron Water District, the Hickory Water District, the Sedalia Water District, the South Graves County Water District and the Symsonia Water District all provide water service to various portions of Graves County.

KRS 74.361 states in part:

The general assembly of the Commonwealth of Kentucky determines as a legislative finding of fact that reduction of the number of operating water districts in the Commonwealth will be in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts wherever feasible.

In view of the legislative mandate, the Commission is of the opinion that Consumers should seriously consider merging with the above listed Water Districts.

CONTINUITY OF ADEQUATE AND RELIABLE SERVICE

Consumers' Engineer has provided information which appears 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 Consumers' service to its customers in the higher elevations of its service area and on its small diameter water lines may not be adequate in the long term.

The Commission reminds Consumers of its obligation to provide adequate and reliable service to all of its customers. Consumers

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, Consumers must take necessary actions to maintain the level of service in conformance with the regulations of the Commission.

SERVICE AREA BOUNDARIES

The Engineer has provided information which indicates that the proposed facilities are within the boundaries of Consumers. However, this same information appears to indicate that Consumers has existing facilities outside the boundaries as defined by Graves County court orders.

The Commission reminds Consumers of its obligation to comply with Chapter 74 of the Kentucky Revised Statutes with regard to its service territory and the method by which a water district may enlarge or diminish its territory.

Consumers should verify the territory that it may properly serve as defined by court order and if necessary follow the procedures as outlined in KRS 74 for changing its service area boundaries.

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 project for the Consumers water system includes 2 new wells with pumps, about 1400 feet of 8-inch water main, a 100,000-gallon elevated water storage tank and miscellaneous appurtenances. The low bids received for the proposed construction totaled \$271,686 which will require about \$366,000 in project funding after allowances are made for fees, contingencies, and other indirect costs.

3. Consumers should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

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

5. Consumers should furnish duly verified documentation of the total costs 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. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

6. Consumers' contract with its Engineer should require construction inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to 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.

7. Consumers should require the Engineer to furnish a copy of the "as-built" drawings 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.

8. Consumers should investigate the feasibility of merging with the Fancy Farm Water District, the Hardeman Water District, the Hendron Water District, the Hickory Water District, the Sedalia Water District, the South Graves County Water District and the Symsonia Water District. Consumers should file a written report on the results of its investigation with the Commission within 90 days of the date of this Order.

9. The financing plan proposed by Consumers is for lawful objects within the corporate purposes of its utility operations, is necessary and appropriate for and consistent with the proper performance of services to the public and will not impair its ability to perform these services and should, therefore, be approved.

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

IT IS THEREFORE ORDERED that:

1. Consumers 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 drawings and specifications of record herein.

2. Consumers' plan of financing consisting of a loan from the FmHA in the amount of \$366,000 with an interest rate of 7 1/8 percent and a 40-year term be and it hereby is approved.

3. If under new FmHA loan conditions Consumers is notified and granted the option of accepting a lower interest rate at the date of closing, Consumers' shall file with the Commission the FmHA notification of the lower interest rate and shall provide all correspondence from and to FmHA concerning this notification within 30 days of the closing date.

4. Consumers shall file a statement of the interest rate accepted from FmHA within 30 days of the date of closing.

5. If Consumers accepts an interest rate different from the rate approved herein, it shall file amended pages to its bond resolution and an amended amortization schedule.

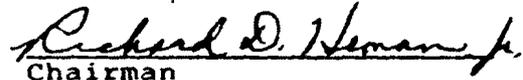
6. If Consumers is eligible but does not take advantage of a lower interest rate at the time of closing, it shall fully document why the lower rate was not accepted showing an analysis of the higher costs associated with the loan over its life.

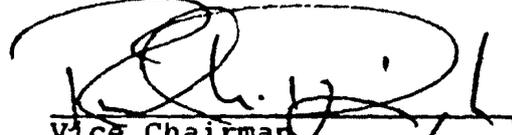
7. Consumers shall comply with all matters set out in Findings 3 through 8 as if the same were individually so ordered.

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 28th day of July, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director