

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF ROWAN WATER, INC., A)
NON-PROFIT CORPORATION INCORPORATED)
PURSUANT TO CHAPTER 273 OF THE KENTUCKY)
REVISED STATUTES, WHICH HAS ITS PRINCIPAL)
PLACE OF BUSINESS IN ROWAN COUNTY,)
KENTUCKY FOR: (1) A CERTIFICATE OF) CASE NO. 9497
PUBLIC CONVENIENCE AND NECESSITY, AUTHOR-)
IZING AND PERMITTING SAID CORPORATION TO)
CONSTRUCT AN ADDITIONAL WATER WORKS)
DISTRIBUTION SYSTEM; AND (2) APPROVAL OF)
THE PROPOSED PLAN OF FINANCING OF SAID)
PROJECT)

O R D E R

Rowan Water, Inc. ("Rowan Water"), by application filed January 17, 1986, is seeking a certificate of public convenience and necessity for a \$1,753,000 waterworks improvements project, ratification of its water service rates and approval of a \$1,753,000 plan of financing composed of \$1,702,000 Farmers Home Administration ("FmHA") funds (\$418,000 loan and \$1,284,000 grant) and \$51,000 from applicants for water service.

The construction proposed by Rowan Water will extend service to about 340 applicants located on rural roads in the northward section of Rowan County between Interstate 64 and adjacent county boundaries and on rural roads east and southeast of the City of Morehead toward the Elliott County line. The construction plans and specifications prepared by Kennoy Engineers, Inc., Consulting Engineers of Lexington, Kentucky, ("Engineer") have been approved

by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

A hearing was held in the offices of the Public Service Commission in Frankfort, Kentucky, on May 13, 1986. No intervenors appeared at the hearing and no objections to the proposed construction were received.

As the hearing was closed, Rowan Water was directed to file certain items of additional information. This information has been filed and the matter is considered to be fully submitted for final determination by the 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 project includes the construction of about 49.1 miles of distribution system pipeline (2.1 miles of 8-inch, 13.4 miles of 6-inch, 30.6 miles of 4-inch, 3.0 miles of 3-inch and 0.1 mile of 2-inch); 340 new service connections; three new booster-pumping stations; pump replacement in an existing pumping station; three new water tanks with storage capacities of 160,000 gallons, 70,000 gallons, and 60,000 gallons; an access road to each tank; three creek crossings; numerous roadway crossings, pressure reducing valves, gate valves and other appurtenances.

3. The low bids totaled \$1,301,765 (\$949,824 for distribution system construction and \$351,941 for storage tanks and access roads). The funding required for this work will be approximately \$1,650,000 including engineering design fees, legal fees, resident inspection, interest during construction and a 10 percent construction contingency. The \$1,753,000 funded for Rowan Water's construction will, therefore, provide for approximately \$103,000 of additional work to serve other applicants for water service. The contract documents (engineering plans, construction and project cost estimates, etc.) for the additional work to be accomplished by Rowan Water should be submitted for Commission approval within 240 days of the date of this Order; and Commission approval should be obtained before construction of the additional work is begun.

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. Rowan Water should furnish duly verified documentation of the total costs of this construction including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

6. Rowan Water's contract with its Engineer should require full-time resident 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. Rowan Water 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. 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.

9. The \$1,753,000 financing plan proposed by Rowan Water is for lawful objects within its corporate purposes, is necessary and appropriate for and consistent with the proper performance of its services to the public and will not impair its ability to perform these services, is reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Rowan Water be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction as set forth in the plans and specifications of record herein.

2. Rowan Water's plan of financing consisting of applicant contributions in the amount of \$51,000, a loan from the PMHA in


the amount of \$418,000 with an interest rate of 5 percent and a 40-year term, and a grant from the FmHA in the amount of \$1,284,000 be and it hereby is approved.

3. Rowan Water 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 8th day of July, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary