

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE WESTERN FLEMING)
WATER DISTRICT OF FLEMING COUNTY,)
KENTUCKY, FOR APPROVAL OF CONSTRUCTION) CASE NO. 10024
AND FINANCING)

O R D E R

On September 11, 1987, Western Fleming Water District ("Western Fleming") filed an application for a certificate of public convenience and necessity for a \$750,000 waterworks improvement project and for approval of its plan of financing that includes a \$341,000 Farmers Home Administration ("FmHA") loan, a \$164,000 FmHA grant, an Appalachian Regional Commission ("ARC") grant of \$200,000, and \$45,000 from applicants for service in the proposed project area. The loan will be for a 40-year period at an interest rate of 5 percent per annum.

The construction proposed by Western Fleming will extend service to about 113 applicants in rural Fleming County. The construction plans and specifications prepared by Kenroy Engineers, Inc., Consulting Engineers of Lexington, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

Western Fleming's application in this matter does not propose adjustments to any existing rates or charges; consequently, they are not specifically addressed herein. However, the Commission

notes that based on the addition of 113 new customers and Western Fleming's approved connection fee of \$250, contributions from applicants for service would be \$28,500, substantially less than the \$45,000 contribution level included in the plan of financing. Western Fleming should carefully review the rates and charges currently in effect to insure that revenues will be sufficient to meet future debt service requirements.

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 11,710 feet of 6-inch and 112,220 feet of 4-inch distribution system pipeline; 113 new service connections; a hydropneumatic pressure-booster station; creek crossings; roadway crossings; pressure reducing valves; gate valves and other appurtenances.

3. The low bids totaled \$483,367. The funding required for this work will be approximately \$645,000 including engineering design fees, legal fees, resident inspection, interest during construction and a 10 percent construction contingency. The \$750,000 funded for Western Fleming's construction will, therefore, provide excess funds for 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 Western Fleming should be submitted for Commission approval by September 1, 1988, 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. Western Fleming 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 Uniform System of Accounts for Water Utilities prescribed by this Commission.

6. Western Fleming'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 practice of the construction trades involved in the project.

7. Western Fleming 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 \$750,000 financing plan proposed by Western Fleming 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. Western Fleming 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. Western Fleming's plan of financing consisting of applicant contributions, a loan from the FMHA, a grant from the FMHA, and a grant from the ARC be and it hereby is approved.

3. Western Fleming 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.

