

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MOUNTAIN WATER)
DISTRICT FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY AUTHORIZING)
THE CONSTRUCTION OF A WATER DISTRI-) CASE NO. 10080
BUTION SYSTEM IN THE BIG CREEK AREA)
OF PIKE COUNTY, KENTUCKY)

O R D E R

On November 6, 1987, Mountain Water District ("Mountain") filed an application, which was revised during the proceedings in this matter, for a certificate of public convenience and necessity to construct a \$5,442,074 waterworks improvement project and for approval of its plan of financing. Project funding includes a \$5,442,074 grant from the Abandoned Mine Lands Program ("AML").

The proposed construction will provide service to approximately 710 additional customers. Drawings and specifications for the proposed improvements prepared by Kenvirons, Inc., Frankfort, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

CONTINUITY OF ADEQUATE AND RELIABLE SERVICE

The Engineer states that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. In several areas of the system, however, service pressure could fall well below 30 psig, a violation of 807 KAR 5:066, Section 6(1) and accepted engineering standards.

Also, in several areas, service pressure could exceed 150 psig, a violation of 807 KAR 5:066, Section 6(1) and accepted engineering standards.

The Commission reminds Mountain of its obligation to provide adequate and reliable service to all of its customers. Mountain should monitor the adequacy of the expanded water distribution system after construction. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 6(1), Mountain should take immediate action to maintain a level of service which conforms with Commission regulations.

FIRE HYDRANT INSTALLATION

Mountain proposes to install 61 conventional fire hydrants as part of this construction project. These fire hydrants are not intended to be used for fire protection, but would serve as flush valves. The installation of these fire hydrants, however, does not comply with Standard 24 of the National Fire Protection Association as adopted by 815 KAR 10:020 or the "Recommended Standards for Water Works" of the Great Lakes-Upper Mississippi River Board of Sanitary Engineers as adopted by 401 KAR 6:200. The Recommended Standards for Water Works expressly states that fire hydrants shall not be connected to water mains which are not designed to carry fire-flows.

The Commission in good conscience cannot approve the installation of conventional fire hydrants which would be contrary to state regulations and accepted engineering standards. Other water system equipment can be used for the purposes which the fire

hydrants were intended. Furthermore, the installation of conventional fire hydrants may mislead Mountain's customers into believing that the water distribution system is capable of providing adequate and reliable volumes of water for fire protection purposes. Under these circumstances the proposed conventional fire hydrants should not be installed.

FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. With the appropriate monitoring of service system-wide, and the deletion of the proposed conventional fire hydrants, public convenience and necessity require the construction proposed in Mountain's application. A certificate of public convenience and necessity should be granted.

2. The proposed construction consists of approximately 71.6 miles of 10-, 8-, 6-, 4-, and 3-inch diameter pipelines, 6 booster pumping stations, 9 storage tanks, 710 residential service connections, and related appurtenances. The low bids totaled \$4,841,505. After allowances are made for fees, contingencies and other indirect costs, the proposed construction will require \$5,442,074.

3. Mountain should monitor the adequacy of the expanded water distribution system after construction. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 6(1), Mountain should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

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

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

6. Mountain should furnish proof of the total cost 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 the Commission.

7. Mountain'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, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Mountain should require the Engineer to furnish within 60 days of the date of substantial completion of this construction 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.

9. The financing plan proposed by Mountain is for lawful objects within its corporate purpose, is necessary and appropriate

for and consistent with the proper performance of its service to the public and will not impair its ability to perform these services. The financing plan is reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Mountain 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 on the condition that service levels be monitored, corrective action taken in accordance with Finding Number 1 and Finding Number 3 of this Order, and that the proposed conventional fire hydrants be deleted.

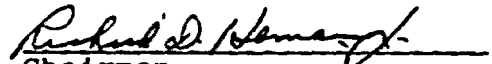
2. Mountain's financing plan consisting of \$5,442,074 AML grant and it hereby is approved.

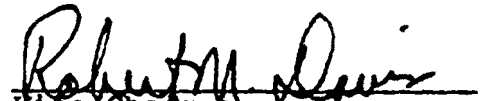
3. Mountain shall comply with all matters set out in Findings 3 through 8 as if the same were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky, or any agency thereof.

Done at Frankfort, Kentucky, this 9th day of March, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director