

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SALT RIVER WATER)
DISTRICT, OF BULLITT COUNTY, KENTUCKY,) CASE NO. 10181
FOR APPROVAL OF CONSTRUCTION, FINANCING,)
AND INCREASED RATES)

INTERIM ORDER

On March 3, 1988, Salt River Water District ("Salt River") filed an application for approval of adjustments to its water service rates, for a certificate of public convenience and necessity to construct a \$2,700,300 waterworks improvement project and approval of its plan of financing for the proposed project. Project funding includes a \$1,030,800 loan from the Kentucky Pollution Abatement and Water Resources Finance Authority ("KPA"), a \$742,500 Community Development Block Grant ("CDBG"), a \$250,000 grant from the Kentucky Department of Transportation, a \$326,000 grant from the Kentucky Turnpike Water District, \$301,500 from private user contributions and \$49,500 from applicants for service in the proposed project area. The KPA loan will be secured by waterworks revenue bonds maturing over a 20-year period at an interest rate of 8 percent per annum.

The construction is proposed to make improvements and additions to Salt River's water distribution system. Drawings and specifications for the proposed improvements by Presnell

Associates, Inc., Louisville, 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 evidence indicates that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. The Commission reminds Salt River of its obligation to provide adequate and reliable service to all of its customers. Salt River 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), Salt River should take immediate action to maintain a level of service which conforms with Commission regulations.

FIRE HYDRANT INSTALLATION

Salt River proposes to install 62 conventional fire hydrants as part of this construction project. No information was supplied to show that the installation of these fire hydrants complies 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 have not been shown to comply with state regulations and accepted engineering standards. 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 pipeline construction proposed in the application be performed and that a certificate of public convenience and necessity should be granted.

2. The proposed pipeline construction consists of the construction of approximately 10 miles of 12-, 10-, 8- and 6-inch diameter pipelines, 1 ground water storage tank, 1 booster pumping station, 1 master meter vault, 2 meter vaults, 1 pressure reducing valve vault, and related appurtenances. The low bids totaled \$1,020,513 which will require about \$2,700,300 after allowances are made for fees, contingencies, and other indirect costs and other anticipated construction.

3. Salt River should monitor the adequacy of the expanded water distribution system after construction. If the level of service is inadequate or declining, Salt River should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

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 the Commission.

5. Salt River should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

6. Salt River should furnish duly verified documentation 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. Salt River'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. Salt River 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.

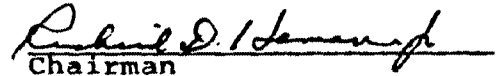
IT IS THEREFORE ORDERED that:

1. Salt River be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed pipeline construction project as set forth in the drawings and specifications of record herein on the condition that service levels be monitored and corrective action taken in accordance with Finding Number 1 and Finding Number 3 of this Order.

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

Done at Frankfort, Kentucky, this 11th day of March, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director