

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF BOONE COUNTY)	
WATER AND SEWER DISTRICT AND PUBLIC)	CASE NO.
SERVICE UTILITIES FOR THE CONSTRUCTION OF)	90-337
COMMERCE PARK PACKAGE TREATMENT PLANT)	

O R D E R

On October 30, 1990, Boone County Water and Sewer District ("Boone District") and Public Service Utilities ("PSU") jointly submitted an application for a Certificate of Public Convenience and Necessity to expand an existing sewage treatment plant, for approval of initial rates, and for the transfer of the expanded sewage treatment plant to Boone District.

Having reviewed the evidence of record and being sufficiently advised, the Commission finds that:

1. PSU currently operates a sewage collection and treatment system which serves the Commerce Park Subdivision, an industrial park located near Burlington, Kentucky.

2. PSU proposes to install a 60,000 gallons per day sewage treatment plant and to construct a tertiary polishing lagoon, chlorination system, and related appurtenances to serve Commerce Park Subdivision.

3. The proposed expansion will permit continued service to existing customers and create additional capacity to meet Commerce Park Subdivision's expected growth. Upon completion of the

proposed expansion, the Commerce Park sewage treatment system will have capacity to serve 100 customers.

4. The total cost of the proposed expansion project is estimated to be \$142,430.

5. Natural Resources and Environmental Protection Cabinet has granted preliminary approval of the proposed expansion.

6. The proposed expansion will not result in the wasteful duplication of facilities.

7. The proposed expansion is required to meet substantial service inadequacies.

8. Public convenience and necessity require the performance of the proposed expansion.

9. PSU and Boone District have agreed that the Commerce Park sewage treatment system will be transferred to Boone District upon completion of the proposed expansion. On June 1, 1990, the Commission approved this transfer of ownership.¹ Therefore, that portion of the joint application which seeks Commission approval of this transfer is moot.

10. As of December 31, 1990, Boone District's sewer operations had assets of \$9,699,390.

11. Boone District, as a water district organized under the provisions of KRS Chapter 74, is a political subdivision of the Commonwealth. Louisville Extension Water District v. Diehl Pump & Supply Co., Inc., Ky., 246 S.W.2d 585 (1952).

¹ Case No. 90-079, Boone County Water and Sewer District Seeking Approval to Purchase Small Package Sanitary Sewer Treatment Plants.

12. In view of its financial assets and its status as a political subdivision of the Commonwealth, Boone District has sufficient financial integrity to ensure the continuity of sewage service. It need not present a copy of a valid third-party beneficiary agreement guaranteeing the continued operation of the proposed sewage treatment facility (807 KAR 5:071, Section 3(1)(a)).

13. The projected annual operating expenses of the expanded Commerce Park sewage treatment system will be \$27,955.²

14. As Boone District has not assumed any long-term debt upon the transfer of ownership, the operating ratio method should be used to determine revenue requirements.

15. An operating ratio of .88 will allow Boone District to meet the Commerce Park sewage treatment system's operating expenses and provide for reasonable equity growth.

16. Based upon operating expenses of \$27,955 and an operating ratio of .88, the revenue requirement for the Commerce Park sewage treatment system should be \$31,767.³

2	Chemicals	\$ 1,800
	Utilities	3,000
	Sludge Removal	3,168
	Laboratory	900
	Maintenance Labor	9,765
	Maintenance Repair	1,000
	Administration	1,200
	Depreciation	<u>7,122</u>
	Total	<u>\$27,955</u>

3 $\$27,955 + .88 = \$31,767.$

17. As all customers are expected to impose an equal burden on the sewage treatment system, a flat monthly rate for service is appropriate. This rate is obtained by dividing the annual revenue requirement by the expected number of customers and 12 months.⁴

18. The rate set forth in Appendix A, attached hereto and incorporated herein, is the fair, just, and reasonable rate for the Commerce Park sewage treatment system and will produce annual revenues of \$31,767. This rate will allow Boone District sufficient revenues to meet its expenses and provide for reasonable equity growth.

19. The rate proposed by Boone District for the Commerce Park sewage treatment system will not produce revenues sufficient to meet operating expenses and provide for reasonable equity growth and should be denied.

IT IS THEREFORE ORDERED that:

1. A Certificate of Public Convenience and Necessity is granted to PSU to expand the Commerce Park sewage treatment plant and collection system as set forth in drawings and specifications contained in its application.

2. PSU and Boone District shall furnish duly verified documentation of the total cost of this project including the cost of construction and other capitalized costs (e.g., engineering, legal, administrative) within 60 days of the date that

⁴ $\$31,767 \div 12 \text{ months} \div 100 \text{ customers} = \26.50
(rounded to nearest tenth).

construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Sewer Utilities prescribed by the Commission.

3. PSU and Boone District shall furnish to the Commission 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.

4. Any deviations from the construction drawings and specifications herein approved which could adversely affect service to any customer shall be subject to prior Commission approval.

5. For accounting purposes, Boone District shall consider those facilities constructed and funded by PSU as contributed property.

6. The rate proposed by Boone District in the joint application is denied.

7. The rate in Appendix A is approved for service rendered by the Commerce Park sewage treatment system on and after the date of this Order.

8. Within 30 days of the date of this Order, Boone District shall file with the Commission its revised tariff setting out the rate approved herein.

9. Boone District shall closely monitor and review the first year of the sewage treatment system's operations. Should a

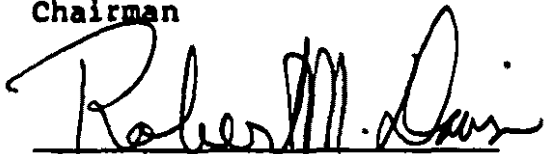
rate adjustment become necessary, it shall take appropriate action in a timely manner.

Done at Frankfort, Kentucky, this 24th day of April, 1991.

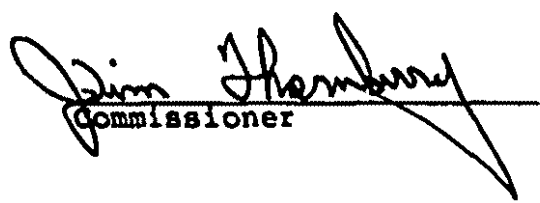
PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 90-337 DATED 4/24/91

The following rates and charges are prescribed for the customers in the area served by Boone County Water and Sewer District's Commerce Park Sewage Treatment Plant. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Monthly Flat Rate for Customers of
Commerce Park Industrial Subdivision

\$26.50