

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--------------------------------------|---|-----------------|
| THE APPLICATION OF HENDERSON COUNTY |) | |
| WATER DISTRICT FOR (1) CERTIFICATE |) | |
| OF CONVENIENCE AND NECESSITY AND (2) |) | |
| AUTHORIZATION TO BORROW FUNDS AND TO |) | CASE NO. 91-085 |
| ISSUE ITS EVIDENCE OF INDEBTEDNESS |) | |
| THEREFOR AND (3) FOR AUTHORITY TO |) | |
| ADJUST RATES |) | |

O R D E R

By application filed March 19, 1991, Henderson County Water District ("Henderson Water") is seeking authorization to construct a \$660,180 waterworks improvement project and for approval of its plan of financing for this project. Project funding includes a loan in the amount of \$1,000,000 from Kentucky Infrastructure Authority ("KIA") and \$31,609 from the applicant for service in the proposed project area. The loan will be for a 20-year period at an interest rate of 8 percent per annum.

Henderson Water's application included a request to increase its rates for water service. The proposed rates would generate approximately \$186,544 annually in additional revenue, an increase of 18.9 percent over normalized test-year revenues from water sales.

Commission Staff, based upon a field review conducted on April 25-26, 1991, issued its Staff Report on July 17, 1991,

recommending the proposed rates be accepted. By letter dated July 22, 1991, Henderson Water accepted the Staff Report. No request for a hearing was made.

Henderson Water included in its financing request \$325,000 which are funds to be used to match a Community Development Block Grant ("CDBG") Henderson Water will receive in the future for construction of projects A and E.¹ Henderson Water has requested approval of the portion of funds required to match the CDBG in this application, although approval of projects A and E will be made later pursuant to KRS 278.023. Inasmuch as a commitment for matching funds was a requirement for obtaining the grant and any prior bidding on projects A and E would have jeopardized the districts eligibility for the grant, the Commission believes it appropriate for Henderson Water to obtain the matching funds for projects A and E at this time. If the Commission did not approve rates and financing sufficient to match the CDBG, the entire project would be compromised.

The proposed construction will provide water service to about 110 new customers and improve the hydraulic capacity of the system. Plans and specification for the proposed construction prepared by Hunter Martin and Associates, Inc. of Paducah, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

¹ Project A consists of improvements to be made to the existing water distribution system in Corydon, Kentucky; Project E consists of an elevated storage tank in Corydon, Kentucky.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. Public convenience and necessity require the construction proposed in the application be performed and that a Certificate of Public Convenience and Necessity be granted.

2. The proposed construction consists of approximately 20.51 miles of 8-, 6-, 4- and 3-inch diameter pipelines and related appurtenances. The low bids totaled \$434,616 which will require a total of approximately \$660,180 after allowances are made for fees, contingencies, and other indirect costs as shown in Appendix B.

3. Henderson Water 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), Henderson Water should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

4. Henderson Water 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. Henderson Water should furnish duly verified documentation of the total costs 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. Henderson Water 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. Henderson Water should 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 recommendations and findings contained in the Staff Report are supported by evidence of record, are reasonable, and are hereby adopted as findings of the Commission in this proceeding and are incorporated by reference as if fully set out herein.

10. The rates in the Appendix, attached hereto and incorporated herein, are the fair, just and reasonable rates for Henderson Water and will produce gross annual revenues of \$1,173,590. These rates will allow Henderson Water sufficient

revenues to meet its operating expenses, including a provision for debt service, and provide for future equity growth.

11. The proceeds of the financing approved herein specifically related to the matching portion of the CDBG for projects A and E, shall be escrowed and accounted for separately. Henderson Water should file a bimonthly report with the Commission listing the escrow account information and status of projects A and E and projected date the construction/finance case will be filed under KRS 278.023. The funds shall remain in escrow and shall not be withdrawn for any purpose until Commission approval is obtained.

12. The financing plan proposed by Henderson Water is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. It should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Henderson Water be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project 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 Commission regulations.

2. Henderson Water's financing plan consisting of a \$1,000,000 loan from KIA, and a contribution from the applicant of

\$31,609 is hereby approved. The financing herein approved shall be used only for the lawful purposes specified in Henderson Water's application.

3. The rates proposed by Henderson Water and contained in the Appendix are approved for service rendered by Henderson Water on and after the date of this Order.

4. Within 30 days of the date of this Order, Henderson Water shall file with the Commission its revised tariff setting out the rates approved herein.

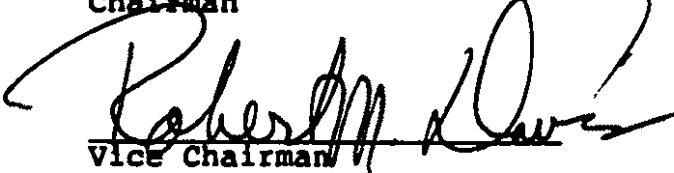
5. Henderson Water shall comply with all matters set out in Findings 3 through 8 as if the same were individually so ordered.

6. Henderson Water's first bimonthly report regarding the status of projects A and E and the accounting of the funding therefore shall be due within 14 days of the date of this Order.

Done at Frankfort, Kentucky, this 5th day of August, 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. 91-085 DATED 8/05/91

The following rates and charges are prescribed for the customers in the area served by Henderson County Water District. 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.

5/8 Inch Connections

| | | |
|-------|--------------|-----------------|
| First | 2,000 Gals. | \$ 8.90 Minimum |
| Next | 8,000 Gals. | 3.30/1,000 |
| Next | 20,000 Gals. | 3.04/1,000 |
| Over | 30,000 Gals. | 2.65/1,000 |

3/4 Inch Connections

| | | |
|-------|--------------|------------------|
| First | 3,000 Gals. | \$ 12.20 Minimum |
| Next | 7,000 Gals. | 3.30/1,000 |
| Next | 20,000 Gals. | 3.04/1,000 |
| Over | 30,000 Gals. | 2.65/1,000 |

1 Inch Connections

| | | |
|-------|--------------|------------------|
| First | 5,000 Gals. | \$ 18.80 Minimum |
| Next | 5,000 Gals. | 3.30/1,000 |
| Next | 20,000 Gals. | 3.04/1,000 |
| Over | 30,000 Gals. | 2.65/1,000 |

1 1/2 Inch Connections

| | | |
|-------|--------------|------------------|
| First | 10,000 Gals. | \$ 35.30 Minimum |
| Next | 20,000 Gals. | 3.04/1,000 |
| Over | 30,000 Gals. | 2.65/1,000 |

2 Inch Connections

| | | |
|-------|--------------|------------------|
| First | 16,000 Gals. | \$ 53.54 Minimum |
| Next | 14,000 Gals. | 3.04/1,000 |
| Over | 30,000 Gals. | 2.65/1,000 |

3 Inch Connections

| | | |
|-------|--------------|------------------|
| First | 30,000 Gals. | \$ 96.10 Minimum |
| Over | 30,000 Gals. | 2.65/1,000 |

4 Inch Connections

| | | |
|-------|--------------|------------------|
| First | 50,000 Gals. | \$149.10 Minimum |
| Over | 50,000 Gals. | 2.65/1,000 |

6 Inch Connections

First 100,000 Gals.

Over 100,000 Gals.

\$281.60 Minimum

2.65/1,000

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 91-085 DATED 8/05/91

PROJECT COSTS:

CONSTRUCTION COSTS:

| | | |
|----------------------------|----------------|-----------|
| Contract A | \$325,000 | |
| Contracts B, C & D | <u>434,616</u> | |
| <u>TOTAL CONSTRUCTION:</u> | | \$759,616 |

ENGINEERING:

| | | |
|---------------------------|---------------|---------|
| Preliminary | \$ 9,500 | |
| Basic | 64,239 | |
| Inspection | 29,510 | |
| Additional | <u>31,000</u> | |
| <u>TOTAL ENGINEERING:</u> | | 134,249 |

LEGAL: 3,000

LAND/EASEMENTS: -0-

ADMINISTRATIVE: 6,000

BOND ISSUANCE COST @2 1/2%: 25,000

DEBT SERVICE RESERVE @10%: 100,000

CONTINGENCIES: 27,135

TOTAL PROJECT COSTS: 1,055,000

SOURCE OF FUNDS:

| | |
|------------------------|---------------|
| KIA Loan | 1,000,000 |
| Applicant Contribution | <u>55,000</u> |
| <u>TOTAL FUNDS</u> | \$1,055,000 |