

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LEXINGTON-SOUTH)	
ELKHORN WATER DISTRICT FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND NECESSITY TO)	CASE NO.
UPGRADE ITS EXISTING SYSTEM; TO FINANCE;)	92-099
AND FOR AUTHORITY TO GENERALLY ADJUST)	
ITS RATES)	

O R D E R

By application filed July 17, 1992, Lexington-South Elkhorn Water District ("South Elkhorn") is seeking authorization to construct a \$1,750,000 waterworks improvement project, for approval of its plan of financing for this project, and for adjustment of its water service rates. Project funding includes a loan in the amount of \$1,712,000 from Kentucky Infrastructure Authority ("KIA"), an \$800 cash donation from South Elkhorn's fund, and \$37,200 from applicants for service in the proposed area. The loan will be for a 20-year period at an interest rate of 7 percent per annum.

The proposed construction will provide water service to about 93 new customers and will add to water storage capacity of South Elkhorn's water distribution system. Plans and specifications for the proposed improvements prepared by Horne Engineering, Inc. of Nicholasville, Kentucky ("Engineer)", have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

The Engineer by certified statement has indicated that the proposed construction is appropriate for the present operating conditions of South Elkhorn and will improve service to its customers.

On August 3 and 17, 1992, Commission Staff conducted a field review of South Elkhorn's 1991 test period financial records. Based upon this review, Commission Staff issued a report on September 3, 1992 recommending an \$163,411 increase in South Elkhorn's annual operating revenues for water service.

By Order dated September 3, 1992, the Commission advised South Elkhorn that comments on the Staff Report or a request for public hearing must be submitted no later than September 18, 1992, or this case would stand submitted to the Commission for decision. On September 4, 1992, the Commission by Order advised South Elkhorn that the incorrect Appendix A had been attached to the Staff Report, and the correct Appendix A was attached, and that comments on the Staff Report or a request for public hearing would now be due by September 19, 1992. On September 4, 1992, South Elkhorn informed the Commission by letter that it accepted the Staff Report.

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

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

2. The proposed construction consists of a 500,000-gallon elevated water storage tank, approximately 16.21 miles of 10-, 8-, and 6-inch diameter pipelines, and related appurtenances. The low bids totaled \$1,247,582.42 which will require a total of approximately \$1,750,000 after allowances are made for fees, contingencies, and other indirect costs.

3. South Elkhorn should monitor the adequacies 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 5(1), South Elkhorn should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

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

5. Any deviation from the construction approved should be undertaken only with the prior approval of the Commission.

6. South Elkhorn 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. South Elkhorn should require the provision of construction 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. South Elkhorn 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 South Elkhorn 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.

10. The recommendations and findings contained in the Staff Report as amended on September 4, 1992 are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and are incorporated by reference as if fully set out herein.

11. The rates in Appendix A as amended, which is attached hereto and incorporated herein, are the fair, just, and reasonable

rates for South Elkhorn and will produce gross annual revenues of \$569,282 for water service. These costs will allow South Elkhorn sufficient revenues to meet its operating expenses and provide for future equity growth, including provisions for servicing its debt.

IT IS THEREFORE ORDERED that:

1. South Elkhorn 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 and corrective action taken in accordance with Commission regulations.

2. South Elkhorn's financing plan consisting of a \$1,712,000 loan from KIA, and a contribution from the applicant of \$37,200 is hereby approved. The financing herein approved shall be used only for the lawful purposes specified in South Elkhorn's application.

3. The rates set out in the Appendix A as amended are the rates approved for service rendered on and after the date of this Order.

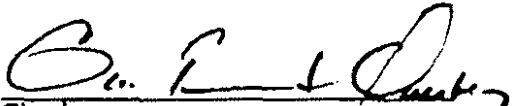
4. Within 30 days of the date of this Order, South Elkhorn shall file with the Commission its revised tariff setting out the rates approved herein.

5. South Elkhorn 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

8th day of September, 1992.

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. 92-099 DATED September 8, 1992.

The following rates and charges are prescribed for the customers in the area served by Lexington-South Elkhorn 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.

<u>Usage Blocks</u>	<u>Monthly Rates</u>
<u>5/8 Inch x 3/4 Inch Meters</u>	
First 2,000 gallons	\$ 16.55 Minimum Bill
Next 2,000 gallons	4.25 per 1,000 gallons
Next 2,000 gallons	3.80 per 1,000 gallons
Next 10,000 gallons	3.55 per 1,000 gallons
Next 8,000 gallons	3.28 per 1,000 gallons
Over 24,000 gallons	3.00 per 1,000 gallons
<u>1 Inch Meters</u>	
First 10,000 gallons	\$ 46.85 Minimum Bill
Next 6,000 gallons	3.55 per 1,000 gallons
Next 8,000 gallons	3.28 per 1,000 gallons
Over 24,000 gallons	3.00 per 1,000 gallons
<u>2 Inch Meters</u>	
First 24,000 gallons	\$ 94.39 Minimum Bill
Over 24,000 gallons	3.00 per 1,000 gallons