

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH GRAVES COUNTY)
WATER DISTRICT FOR (1) A CERTIFICATE)
OF CONVENIENCE AND NECESSITY; (2))
AUTHORIZATION TO BORROW FUNDS AND TO) CASE NO. 94-004
ISSUE ITS EVIDENCE OF INDEBTEDNESS)
THEREFOR; AND (3) FOR AUTHORITY TO)
ADJUST RATES)

O R D E R

By application filed February 2, 1994, South Graves County Water District ("South Graves") is seeking authorization to construct a \$834,000 waterworks improvement project, approval of its plan of financing for this project, and an adjustment of its rates. Project funding is by a \$834,000 loan from the Kentucky Infra-structure Authority ("KIA"). The loan will be for a 20-year period at an interest rate of 8 percent per annum. South Graves' proposed rates for water service would generate additional annual revenues of \$165,210, or an increase of 120.42 percent.

The proposed construction will make water distribution system improvements. Plans and specification for the proposed improvements prepared by Hunter Martin & Associates, Inc. Engineers and Surveyors of Paducah, Kentucky ("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

Commission Staff conducted a limited financial review of South Graves' operations for the test period ended August 31, 1993.

Based upon this review, Commission Staff issued a report on April 18, 1994 recommending an increase in annual operating revenues of \$157,521.

By Order dated April 18, 1994, the Commission advised South Graves that comments on the Staff Report or a request for a public hearing must be submitted no later than May 3, 1994 or this case would stand submitted to the Commission for decision. On April 26, 1994, South Graves accepted the findings of 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 about 7.5 miles of 8-, 6-, 4-, 3-, and 2-inch diameter pipelines, a water storage tank, and related appurtenances. After allowances are made for fees, contingencies, and other indirect costs, the total cost of this project is approximately \$834,000.

3. South Graves 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 Graves should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

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

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

6. South Graves should furnish 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. 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 Graves should require construction to be inspected 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 Graves 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 of the Engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

9. The financing plan proposed by South Graves 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 engineering information indicates that South Graves is proposing to install one fire hydrant as part of this project. The Engineer has stated that this fire hydrant will be used only for draining the water storage tank for maintenance. Since other methods can be utilized for draining the tank, the fire hydrant should be deleted and more appropriate equipment installed.

11. The recommendations and findings presented in the Staff Report are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and incorporated by reference as if fully set out herein.

12. The rates in Appendix A, attached hereto and incorporated herein, are the fair, just, and reasonable rates for South Graves and will produce gross annual revenues of \$296,739. These rates will allow South Graves sufficient revenues to meet its operating expenses and service its debt.

13. The rates proposed by South Graves would produce revenue greater than that found reasonable herein and should be denied.

IT IS THEREFORE ORDERED that:

1. South Graves 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 the proposed fire hydrant be deleted and service levels monitored and corrective action taken in accordance with Commission regulations.

2. South Graves' financing plan consisting of a \$834,000 loan from KIA is hereby approved. The financing herein approved shall be used only for the lawful purposes specified in South Graves' application.

3. The rates proposed by South Graves in its application are denied.

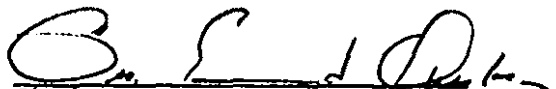
4. The rates in Appendix A are approved for service rendered by South Graves on and after the date of this Order.

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

6. South Graves shall comply with requirements contained in Findings 3 through 8.

Done at Frankfort, Kentucky, this 16th day of May, 1994.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 94-004 DATED MAY 16, 1994

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

Monthly Rates

First	2,000 gallons	\$ 14.25 (Minimum Bill)
Next	3,000 gallons	6.87 per 1,000 gallons
Next	5,000 gallons	6.62 per 1,000 gallons
Next	10,000 gallons	6.38 per 1,000 gallons
Next	30,000 gallons	5.89 per 1,000 gallons
Next	50,000 gallons	4.91 per 1,000 gallons
Over	100,000 gallons	3.43 per 1,000 gallons