

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN WATER)
COMPANY FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY AUTHORIZING) CASE NO. 94-291
THE CONSTRUCTION OF A CHEMICAL FEED)
BUILDING AT THE KENTUCKY RIVER STATION)

O R D E R

On August 23, 1994, Kentucky-American Water Company ("Kentucky-American") filed an application for a Certificate of Public Convenience and Necessity to construct a \$2,711,350 water-works improvement project. Kentucky-American proposes to finance the construction initially through funds available from previous financing or short-term bank borrowings. After construction is complete, Kentucky-American plans to obtain permanent financing to cover the cost.

The proposed construction will provide a new Chemical Feed Building at the Kentucky River Station. Drawings and specifications for the proposed improvements prepared by GRW Engineers, Inc. of Lexington, Kentucky ("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

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

1. The proposed construction consists of a new Chemical Feed Building at the Kentucky River Station, and related appurtenances.

After allowances are made for fees, contingencies, and other indirect costs, the total cost of this project is approximately \$2,711,350.

2. Chemical treatment currently takes place at various points around the Kentucky River Station water treatment plant. The majority of the chemical treatment equipment is aged and becoming unreliable. Due to the dispersion of the equipment around the treatment plant and space limitations, chemical spills are difficult to contain.

3. The new Chemical Feed Building, to be constructed adjacent to the Raw Water Transfer Station, is designed to contain new equipment which will replace the existing, aged equipment. The new building will contain facilities for the storage and application of chemicals as well as a control system to monitor the application status.

4. The proposed Chemical Feed Building will be used as a centralized location for chemicals closer to the point of application, allow adequate spill containment, and improved storage and handling capabilities. In addition, the proposed facility will not require the ever increasing maintenance necessary to operate the existing aged equipment.

5. The proposed Chemical Feed Building is needed at the Kentucky River Station to ensure the delivery of adequate, efficient, and reasonable water service. The proposed facility will not create wasteful duplication with existing facilities but,

to the contrary, will improve the reliability and efficiency of the water treatment process while lowering maintenance expense.

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

7. Kentucky-American should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

8. Kentucky-American should document 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.

9. Kentucky-American 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.

10. Kentucky-American 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.

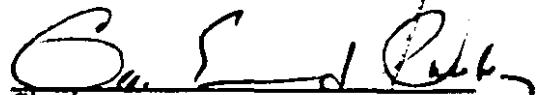
IT IS THEREFORE ORDERED that:

1. Kentucky-American is granted a Certificate of Public Convenience and Necessity to construct a Chemical Feed Building at the Kentucky River Station in accordance with the plans and specifications set forth in its application.

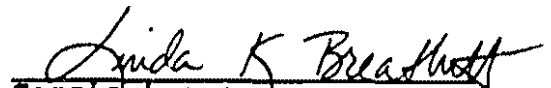
2. Kentucky-American shall comply with requirements contained in Findings 6 through 10.

Done at Frankfort, Kentucky, this 4th day of October, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director