

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF U.S. 60 WATER DISTRICT OF)
SHELBY AND FRANKLIN COUNTIES, KENTUCKY,)
FOR AN ORDER APPROVING CONSTRUCTION) CASE NO. 95-409
FINANCING AND A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY)

O R D E R

By application filed September 18, 1995, as amended January 30, 1996, U.S. 60 Water District ("U.S. 60") seeks authorization to construct a \$140,440 waterworks improvement project, for approval of its plan of financing for this project, and for approval of a \$12.00 monthly surcharge for the 22 customers served by this project. U.S. 60 also requested a deviation from 807 KAR 5:066, Section 11(1), which requires each utility to make an extension of 50 feet to its existing distribution main without charge for a prospective customer who applies for and contracts to use service for one year or more, and for approval of its special extension agreement.

On November 8, 1995, the Commission issued an Order requesting additional information to which U.S. 60 responded on November 28, 1995. Also on November 8, 1995, the Commission by Order continued the financing application beyond the 60-day period specified in KRS 278.300(2). On December 21, 1995, the Commission on its own motion scheduled an informal conference for January 9, 1996. During the informal conference issues related to U.S. 60's application were

discussed in detail. As a result of the conference, U.S. 60 submitted its Application Amendment on January 30, 1996.

Project funding includes a grant from the Shelby County Fiscal Court of \$37,841, a loan in the amount of \$81,644 from Kentucky Association of Counties Leasing Trust ("KACoLT"), and \$11,530 from applicants for service in the project area. The Shelby County Fiscal Court has also committed itself to a contingency fund of \$9,425.¹ The loan will be for a 10 year period amortized over 20 years at an interest rate of 5.8 percent per annum, with a balloon payment at the end of the loan term. U.S. 60 expressed the intention of refinancing the loan after 10 years.

The proposed construction will provide water service to 22 new customers. Plans and specifications for the proposed improvements prepared by Warner A. Broughman III and Associates of Lexington, Kentucky ("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Cabinet.

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

1. The proposal presented by U.S. 60 includes a financing mechanism tailored by the applicant to the specific facts of its

¹ U.S. 60's original application sought the approval of an \$18.00 monthly surcharge. At that time project funding included a grant from the Shelby County Fiscal Court of \$23,941, a loan of \$96,074 from KACoLT, and \$11,000 from applicants for service in the project area. There was no contingency fund.

situation and is of a type which previously has been approved by the Commission in Cases No. 92-298² and No. 93-149.³

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

3. The proposed construction consists of approximately 4.1 miles of 4-inch diameter pipelines and related appurtenances. Construction cost will total \$94,248.50, which will require a total of approximately \$140,440.25 after allowances are made for fees, contingencies, and other indirect costs.

4. U.S. 60's request for approval of the special extension agreement should be granted.

5. U.S. 60's request for a deviation from 807 KAR 5:066, Section 11(1), should be granted.

6. U.S. 60's request for approval of a \$12.00 surcharge for customers served by this project should be granted.

7. U.S. 60 should provide the Commission with an annual report regarding the total amount of surcharge collected from the new customers. These reports shall be filed simultaneously with U.S. 60's annual report on a report form to be supplied by the Commission.

² Case No. 92-298, The Application of U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, for an Order Approving Construction, Financing and Certificate of Public Convenience and Necessity.

³ Case No. 93-149, The Application of U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, for an Order Approving Construction, Financing and Certificate of Public Convenience and Necessity.

8. U.S. 60 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), U.S. 60 should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

9. U.S. 60 should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

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

11. U.S. 60 should furnish 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. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

12. U.S. 60 should require 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.

13. U.S. 60 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.

14. The financing plan proposed by U.S. 60 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. U.S. 60 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. U.S. 60's request for approval of the special extension agreement is granted.

3. U.S. 60's request for a \$12.00 surcharge for customers served by this project is granted. The proceeds from the surcharge collections shall be used for no reason other than repayment of the debt to KACoLT. U.S. 60 shall establish an escrow account with a financial institution into which it will separately account for repayment of its debt to KACoLT. The surcharge will immediately cease upon extinguishment of the entire debt or if any of the

proceeds therefrom are used for any reason other than repayment of the debt, or after 20 years, whichever comes first.

4. U.S. 60's request for a deviation from 807 KAR 5:066, Section 11(1), is granted for the extension approved herein.

5. U.S. 60's financing plan consisting of a grant from the Shelby County Fiscal Court of \$37,841, a loan of \$81,644 from KACoLT, and a contribution of \$11,530 from the applicants for service in the project area is approved. The financing herein approved shall be used only for the lawful purposes specified in U.S. 60's application. The Commission is approving the financing plan with the express intention of reviewing this plan in operation on an ongoing basis.

6. Within 30 days of the date of this Order, U.S. 60 shall file with the Commission its revised tariff setting out the surcharge approved herein.

7. U.S. 60 shall comply with all matters set out in Findings 7 through 13 as if the same were individually so ordered.

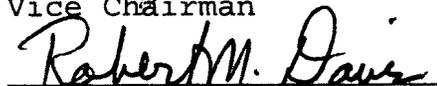
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 17th day of April, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director