

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE AND APPLICATION OF KENTON COUNTY)
WATER DISTRICT NO. 1 TO CONSTRUCT AN)
EXTENSION TO SERVE APPROXIMATELY 300)
CUSTOMERS IN SUB-DISTRICT R; AND TO) CASE NO. 95-582
INSTITUTE SURCHARGES UNDER KRS 278.023)
WITH NO CHANGE IN BASIC WATER RATES;)
FUNDING DATA INCLUDED)

O R D E R

Kenton County Water District No. 1 ("Kenton District") has applied, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity to construct facilities to serve its Sub-District R and for authority to assess a surcharge on Sub-District R to finance this construction. Having reviewed the application, the Commission finds that KRS 278.023 is not applicable and that the application must be reviewed pursuant to KRS 278.020 and KRS 278.190.

The Commission further finds that additional investigation of the proposed surcharge rate is necessary and that, therefore, the proposed rate surcharge should be suspended pending completion of that investigation.

KRS 278.023 requires the Commission to issue a Certificate of Public Convenience and Necessity for any construction undertaken by a water district which "is financed in whole or in part under the terms of an agreement between the water utility and the U.S. Department of Agriculture or the U.S. Department of Housing and Urban Development." KRS 278.023(1).

It further requires the Commission to issue "such other orders as may be required to implement the terms of such agreement." KRS 278.023(3).

In the case at bar, there is no agreement between Kenton District and any federal government agency. The only agreement is between the city of Ryland Heights and the Kentucky Department of Local Government. The lack of an agreement in which Kenton District is a party effectively precludes the application of KRS 278.023 to Kenton District's proposed construction project and rate adjustment.¹

IT IS THEREFORE ORDERED that:

1. Kenton District's application shall be reviewed pursuant to KRS 278.020 and KRS 278.190.

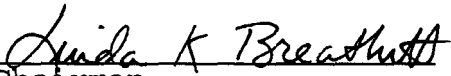
2. Kenton District's proposed surcharge rate is suspended up to and including June 30, 1996.

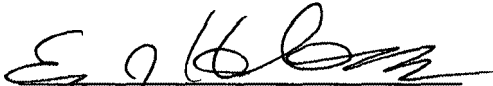
3. Within 20 days of the date of this Order, Kenton District shall file the original and 8 copies of the information listed in Appendix A. It shall furnish with each response the name of the witness who will be available to respond to questions concerning each item should a public hearing be held. For any item in which hydraulic analyses are requested and such analyses are computer generated, Kenton District shall also provide the input data on an IBM compatible 5 1/4 inch or 3 1/2 inch floppy disk.

¹ While KRS 278.023 is not applicable, KRS 74.395 applies to the proposed surcharge.

Done at Frankfort, Kentucky, this 26th day of January, 1996.

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. 95-582 DATED JANUARY 26, 1996

1. Provide hydraulic analyses, supported by computations and actual field measurements, of typical operational sequences of Kenton District's existing water distribution system. These hydraulic analyses shall demonstrate the operation of all pump stations and the "empty-fill" cycle of all water storage tanks. Computations shall be documented by a labeled schematic map of the system that shows pipeline sizes, lengths, connections, pumps, water storage tanks, wells, and sea level elevations of key points, as well as allocations of actual customer demands.

a. If the proposed construction is in an area of the water distribution system which can be hydraulically isolated or separated, hydraulic analyses for the isolated portion may be submitted in lieu of a total system analyses.

b. State whether flows used in the analyses are based on average instantaneous flows, peak instantaneous flows, or any combination or variation thereof. Document the flows used in the analyses with actual field measurements and customer use records. State and justify all assumptions used in this study.

2. Identify and describe each operational deficiency of Kenton District's existing water system.

3. Show that the existing hydraulic analyses are calibrated to match actual hydraulic conditions.

4. Provide the approval letter from the Natural Resources and Environmental Protection Cabinet for the proposed construction.

5. Provide a highway map which shows Kenton District's distribution system and include pipeline sizes, location, and connections, pumps, water storage tanks, and sea level elevations of key points.

6. Provide hydraulic analyses, supported by computations and actual field measurements, of typical operational sequences of the water distribution system with the pipeline improvements in place. These hydraulic analyses shall demonstrate the operation of all pump stations and the "empty-fill" cycle of all water storage tanks. Document computations with a labeled schematic system map that shows pipeline sizes, lengths, connections, pumps, water storage tanks, wells, and sea level elevations of key points, as well as allocations of actual customer demands.

a. State and justify each assumption used in the analyses. These analyses shall use the same schematic as the analyses of the existing water distribution system to facilitate comparison.

b. For each flow used in the analyses, identify whether they are based on average instantaneous flows, peak instantaneous flows, or any combination or variation thereof.

c. Document each flow used by actual field measurements and customer use records.

7. a. List Kenton District's water storage tanks.

b. For each tank,

(1) state its location, capacity, and overflow elevation;

(2) explain how water is supplied;

(3) state whether each tank is in use;

(4) state whether after completion of the proposed construction it will remain in use.

8. a. List Kenton District's existing pump stations.

b. For each,

(1) state its location, number of pumps, each station's purpose;

(2) explain how its operation is controlled;

(3) provide the pump manufacturer's characteristics (head/capacity) curve of its pumps and identify each curve as to the particular pump and pump station to which it applies;

(4) state whether the pump is currently in use;

(5) state whether after completion of the pump the proposed project, will remain in use.

9. If fire hydrants are part of the proposed project, provide evidence that Kenton District's proposed improvements comply with 807 KAR 5:066, Section 10(2)(b).

10. Why should the customers with Sub-District R solely bear the cost of proposed expansion?

11. a. How are costs of expansions and construction projects with Kenton District's main service area [i.e. all areas excluding Sub-Districts A, B, and R] normally recovered?

b. If this method of recovery differs from that proposed in this case, explain why Kenton District is using different methods.

12. Refer to Exhibit H, Page 1 of 4, Source of Project Funds. The Parity Revenue Bond Anticipation Note ("Note") of \$1,591,093 is listed as one of its sources of funds. Provide the effective interest rate, the term of the Note, and the amortization schedule. Include all assumptions, calculations, and workpapers.

13. a. Provide a detailed explanation of the necessity for and calculation of Kenton District's proposed Ryland Heights surcharge of \$30 per month.

b. Provide a detailed explanation of the necessity for and calculation of Kenton District's proposed Ryland Lakes surcharge of \$62 per month.