

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 for a Certificate of Public Convenience and Necessity to construct a \$2,941,305 waterworks improvement project to serve Sub-District R and for a surcharge on Sub-District R customers to finance this construction.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that:

1. Kenton District proposes to construct about 12 miles of 8- and 6-inch diameter pipelines, and related appurtenances to extend service to Sub-District R.

2. The proposed construction will serve approximately 326 new customers.

3. The Division of Water, Department of Environmental Protection, Natural Resources and Environmental Protection Cabinet, has approved the proposed project's plans and specifications which were prepared by Cardinal Engineering Corporation of Wilder, Kentucky ("Engineer").

4. Kenton District does not currently provide water service to persons located in Sub-District R.

5. No other public or municipal utility is providing water service in Sub-District R.

6. Persons within Sub-District R are currently supplied water through wells and cisterns.

7. Sample testing of wells and cisterns within Sub-District R indicates the presence of coliform organisms on a wide scale and suggests a serious public health problem.

8. No adequate water supply currently exists to provide fire protection service to persons within Sub-District R.

9. After allowances for fees, contingencies, and other indirect costs, the total project cost is approximately \$2,941,305.

10. The proposed project will be funded from the following sources: Community Block Development Grant (\$891,712), Kentucky Department of Transportation Emergency County Road Funds (\$300,000), Kenton County Fiscal Court loan (\$75,000), City of Ryland Heights grant (\$10,000), City of Fairview grant (\$5,000), Lally Pipe Company contribution (\$1,000), Revenue Bond Anticipation Notes (\$1,591,093), and customer contributions (\$67,500).

11. Following completion of the proposed project, Kenton District intends to issue 25-year revenue bonds to retire the bond anticipation notes and any remaining costs.

12. Kenton District proposes to assess a surcharge on Sub-District R customers to service the revenue bonds. Under its proposal, Kenton District would assess a monthly surcharge of \$30.00 to Sub-District R customers located in the vicinity of Ryland Heights, Kentucky to recover debt service on \$949,036 of

revenue bonds and a surcharge of \$62.00 to Sub-District R customers located in the vicinity of Ryland Lakes, Kentucky to recover debt service on \$800,000 of revenue bonds.

13. Kenton District, in conjunction with local community officials, has held public meetings on the proposed construction and proposed surcharge.

14. The City of Ryland Heights, Kentucky and the Ryland Lakes Community Association have been advised of the proposed surcharges and have agreed to their assessment.

15. The proposed surcharges will recover the cost of the proposed extension and are fair, just, and reasonable.

16. As the final project and debt service costs will not be known until project completion and the issuance of revenue bonds, Kenton District should, within 20 days after the issuance of revenue bonds, submit a written report to the Commission on the final project costs, the total bond issuance amount, and the bonds' interest rate. It should also submit a revised calculation of the proposed surcharges which is based on these factors.

IT IS THEREFORE ORDERED that:

1. Kenton District is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction as set forth in its application.

2. Kenton District shall not deviate from the construction approved without prior Commission approval.

3. Kenton District shall obtain Commission approval before performing any additional construction.

4. Kenton District shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the proposed construction project.

5. Kenton District's contract with its Engineer shall 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 plans and specifications and in conformance with the best practices of the construction trades involved in the project.

6. The rates set forth in Appendix A of this Order are approved for service rendered to Sub-District R as of the date of this Order.

7. Upon collection of surcharge revenues of \$949,036 from the Sub-District R customers located within the vicinity of Ryland Heights, Kenton District shall cease assessing the surcharge of \$30.00.

8. Upon collection of surcharge revenues of \$800,000 from the Sub-District R customers located within the vicinity of Ryland Estates, Kenton District shall cease assessing the surcharge of \$62.00.

9. In the event that the final project costs and the debt service requirements of the revenue bond issuance differ from Kenton

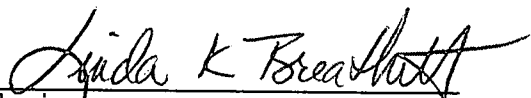
District's projections, the restrictions contained in Ordering Paragraphs 7 and 8 shall be revised.

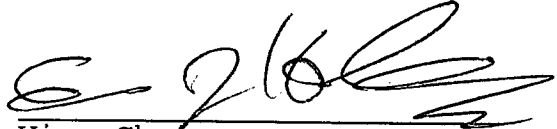
10. Beginning in 1997, for the calendar year 1996 and for each calendar year thereafter in which the surcharges are effective, Kenton District shall, when submitting the annual financial and statistical report required by Commission Regulation 807 KAR 5:006, Section 3(1), also submit a written report for each approved surcharge which lists: (a) the total surcharge billed during the preceding calendar year; (b) the accumulated surcharge billed; and (c) remaining debt service on the debt which Kenton District issued to finance the facilities in question.

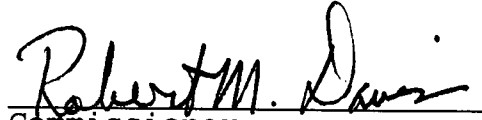
11. Kenton District shall submit its revised tariff sheets reflecting the rates in Appendix A within 30 days of the date of this Order.

Done at Frankfort, Kentucky, this 8th day of February, 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 2/8/96

The following rates and charges are prescribed for the customers in the area served by Kenton County Water District No. 1. 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.

The monthly water rates and surcharges will be as follows:

First	200 cu.ft.	Fixed Service Charge
Next	1,300 cu.ft.	\$1.75 per 100 cu.ft.
Next	163,500 cu.ft.	\$1.51 per 100 cu.ft.
Over	165,000 cu.ft.	\$.92 per 100 cu.ft.

FIXED SERVICE CHARGE

Meter Size	Monthly Charge
5/8"	\$ 5.51
3/4"	7.30
1"	10.89
1-1/2"	19.84
2"	30.59
3"	55.68
4"	91.51
6"	181.09
8"	288.59
10"	449.84
12"	593.18

MONTHLY SURCHARGE

Ryland Heights:

Decoursey Pike	\$ 30.00
Coleman Road	30.00
Porter Road	30.00
Red Row Road	30.00
Locust Pike	30.00
Whites Road	30.00
Feiser Road	30.00
Ryland Lakes	\$ 62.00