

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTH SHORE )  
WATER WORKS COMPANY FOR A )  
CERTIFICATE OF PUBLIC CONVENIENCE ) CASE NO. 97-321  
AND NECESSITY, AN ADJUSTMENT OF )  
RATES, AND FOR AN ORDER AUTHORIZING )  
APPROVAL OF FINANCING )

O R D E R

South Shore Water Works Company ("South Shore") has applied for a Certificate of Public Convenience and Necessity to construct a \$295,462 waterworks improvement project, approval of the project's financing, and authority to adjust its rates to produce additional annual revenues of \$78,677.25. South Shore has filed a revised schedule of rates for water service rendered on and after October 17, 1997, which contains its proposed rates. It has moved for an interim award of rates pending a final ruling on its application, for a waiver from Administrative Regulation 807 KAR 5:066, Section 11(2)(b), and for leave to amend its application to reflect certain changes in its proposed waterworks improvement project and requested level of rate adjustment.

Having reviewed the application and motions and being otherwise sufficiently advised, the Commission finds:

1. South Shore proposes to construct a 100,000 gallon water storage tank, a 30,000 gallon water storage tank, and approximately 25,000 feet of water main extensions.

2. South Shore currently has water storage capacity of 399,000 gallons.
3. South Shore's average daily consumption in calendar year 1996 was 452,400 gallons.
4. Administrative Regulation 807 KAR 5:066, Section 4(4), requires a water utility to have water storage capacity at least equal to its average daily consumption.
5. The construction of the proposed water storage tanks is necessary for South Shores to obtain compliance with Administrative Regulation 807 KAR 5:066, Section 4(4).
6. The proposed water line extensions will permit South Shore to serve 49 households in the White Oak, Firebrick, Kellen Hollow, and Melroy areas of Greenup County, Kentucky. No water utility presently serves these customers.
7. The proposed extension is not likely to compete with any other water utility.
8. Diamond Engineering, Inc. ("Engineering") prepared the drawings and specifications for the proposed waterworks improvement project.
9. The Division of Water of the Kentucky Natural Resources and Environmental Protection Cabinet has approved the drawings and specifications for the proposed waterworks improvement project.
10. Estimated total cost of the proposed waterworks improvement project is \$295,462.
11. South Shore proposes to finance the proposed waterworks project from the following sources: a \$190,000 loan from First and Peoples Bank and Trust Company to

be repaid over a 20-year period at 7.75 percent interest rate; contributions of \$61,250 from 49 customers, and internal funds of \$44,212.

12. South Shore's issuance of a Note and Mortgage in favor of First and Peoples Bank and Trust Company, Russell, Kentucky, in the amount of \$190,000 is for lawful objects within the corporate purpose of its utility operation, 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.

13. South Shore requests a deviation from Administrative Regulation 807 KAR 5:066, Section 11(2)(b), to relieve it of any obligation to refund any contribution for the proposed water main extensions to its original subscribers in the White Oak, Firebrick, Kellen Hollow, and Melroy areas of Greenup County, Kentucky, and to permit the utility to require any customer connecting to these proposed water main extensions within 10 years of their completion to pay the same contribution of \$850 plus any approved tap fee towards their construction cost. All subsequent contributions will be used solely for debt service on the \$190,000 note.

14. South Shore's proposed arrangement will reduce debt service costs on the proposed project and ensure all customers subsequently connecting to the proposed water main extensions bear an appropriate share of the extension's cost.

15. Further proceedings are necessary to determine the reasonableness of South Shore's proposed rates. Such proceedings cannot be completed before October 17, 1997.

16. South Shore has failed to demonstrate that its credit or operations will be materially impaired or damaged if its proposed rates are not immediately placed into effect.

IT IS THEREFORE ORDERED that:

1. South Shore's motion to amend its application is granted.
2. South Shore is granted a Certificate of Public Convenience and Necessity to construct the proposed waterworks improvement project as set forth in the drawings and specifications contained in its amended application.
3. South Shore shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
4. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.
5. South Shore shall 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 shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.
6. South Shore shall require construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering.
7. South Shore is authorized to issue a Note and Mortgage in favor of First and Peoples Bank and Trust Company, Russell, Kentucky, in the amount of \$190,000.

8. The proceeds from the \$190,000 Note shall be used only for the lawful purposes specified in South Shore's amended application.

9. South Shore's motion for a deviation from Administrative Regulation 807 KAR 5:066, Section 11(2)(b), is granted.

10. Within 20 days of the date of this Order, South Shore shall file revised tariff sheets which reflect the water extension arrangement approved for the proposed water main extensions.

11. South Shore's Motion for Award of Interim Rates for Construction is denied.

12. South Shore's proposed rates are suspended up to and including March 16, 1998.

Done at Frankfort, Kentucky, this 13th day of October, 1997.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director