

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY TURNPIKE)	
WATER DISTRICT FOR A DECLARATION THAT)	
A CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY IS NOT REQUIRED OR, IN)	CASE NO. 98-508
THE ALTERNATIVE, FOR THE ISSUANCE OF)	
SUCH A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY)	

ORDER

Kentucky Turnpike Water District ("Kentucky Turnpike") has applied for a declaration that proposed extensions to its water distribution system do not require a Certificate of Public Convenience and Necessity or, in the alternative, a Certificate of Public Convenience and Necessity for the proposed extension. Having considered the application, the Commission finds that the proposed extensions are ordinary extensions of an existing system in the usual course of business and do not require a Certificate of Public Convenience and Necessity.

Kentucky Turnpike is a water district, organized pursuant to KRS Chapter 74, that provides water service to 5,850 customers in Bullitt County, Kentucky.¹ The water district is the product of the merger of Kentucky Turnpike Water District and the Salt

¹ See Annual Report of Kentucky Turnpike Water District -- Division I -- for the Year Ended December 31, 1997, at 29; Annual Report of Kentucky Turnpike Water District -- Division II -- for the Year Ended December 31, 1997, at 29.

River Water District.² It is divided into two divisions. Division II represents the service territory previously served by the Salt River Water District.

Kentucky Turnpike proposes to extend its water lines along three side roads of Kentucky Highway 480 in eastern Bullitt County, Kentucky. The proposed extensions will connect to a 10-inch water main that runs parallel to Kentucky Highway 480. The first extension will run parallel to Windy Ridge Road, which is located approximately 4.5 miles east of Interstate Highway 65. It will be approximately 1,775 feet in length and will initially serve 8 residential customers. The second extension runs along Sharon Drive, which is also approximately 4.5 miles east of Interstate Highway 65. It will be approximately 1,885 feet and will initially serve 12 customers. The third extension will run along Arnold Lane, which is located approximately 6.5 miles east of Interstate Highway 65. It will be approximately 3,475 feet in length and will initially serve 17 residential customers. Each extension will be constructed of 6-inch polyvinyl chloride pipe. Each will be located within Division II's service area and will serve an area that no water utility presently serves.

The proposed extensions represent an addition of 7,105 feet of 6-inch main to Division II's utility plant. They will cost an estimated \$112,330. The utility will finance the construction of the main extensions primarily through customer contributions. Each potential customer has agreed to pay \$2,550 upon completion of the main extension fronting his or her residence. Kentucky Turnpike's total contribution toward the main extensions is \$17,980.80. Kentucky Turnpike states that 15 additional customers may

² Case No. 92-169, Salt River Water District and Kentucky Turnpike Water District Joint Petition For Approval of Merger Agreement and Retail Rate Adjustment (February 10, 1993).

also connect to these proposed extensions. Each of these potential customers will also be required to contribute \$2,550.

KRS 278.020(1) states:

No person, partnership, public or private corporation, or combination thereof shall begin the construction of any plant, equipment, property or facility for furnishing to the public any of the services enumerated in KRS 278.010, except retail electric suppliers for service connections to electric-consuming facilities located within its certified territory and ordinary extensions of existing systems in the usual course of business, until such person has obtained from the Public Service Commission a certificate that public convenience and necessity require such construction.

Administrative Regulation 807 KAR 5:001, Section 9(3), provides:

Extensions in the ordinary course of business. No certificate of public convenience and necessity will be required for extensions that do not create wasteful duplication of plant, equipment, property or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general area in which the utility renders service or contiguous thereto, and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

The Commission finds that the proposed extensions are extensions in the ordinary course of business (based upon the size of the proposed extensions relative to Division II's present facilities) and therefore do not require a Certificate of Public Convenience and Necessity. As the total net utility plant of Division II is \$4,152,718,³ the proposed extensions represent an addition to utility plant of only 2 percent. They represent only a 1.84 percent addition in terms of mains to Division II's current 73 miles

³ Annual Report of Kentucky Turnpike Water District -- Division II -- for the Year Ended December 31, 1997, at 7.

of water mains.⁴ As they are serving areas previously unserved, the proposed main extensions will not create a wasteful duplication of plant or facilities.

The Commission further finds that, while no Certificate of Public Convenience and Necessity is required for the construction of the proposed main extensions, Commission approval of Kentucky Turnpike's proposed method of financing is required. Nothing contained in Kentucky Turnpike's filed rate schedules permits the utility to require a \$2,550 contribution toward the cost of the main extensions. Moreover, Kentucky Turnpike has not submitted the arrangement for Commission approval as a special contract. See Administrative Regulation 807 KAR 5:011, Section 11. In the absence of such approval, Administrative Regulation 807 KAR 5:066, Section 11(2)(a), governs the required level of customer contribution.⁵ The utility's proposed arrangement is not consistent with that regulation.⁶

⁴ Id. at 34.

⁵ When an extension of the utility's main to serve an applicant or group of applicants amounts to more than fifty (50) feet per applicant, the utility may if not inconsistent with its filed tariff require the total cost of the excessive footage over fifty (50) feet per customer to be deposited with the utility by the applicant or the applicants, based on the average estimated cost per foot of the total extension.

⁶ Administrative Regulation 807 KAR 5:066, Section 11(2)(a), requires Kentucky Turnpike to contribute toward the cost of the proposed extension the cost of 50 feet of the proposed main extension for each customer. For the proposed water main extensions, this contribution would be \$29,248.50. Kentucky Turnpike proposes to contribute only \$17,980.

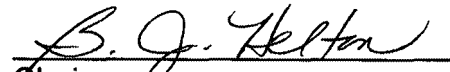
IT IS THEREFORE ORDERED that:

1, Kentucky Turnpike does not require a Certificate of Public Convenience and Necessity to construct the proposed water main extensions.

2. Unless and until it receives Commission approval of its proposed method of financing, Kentucky Turnpike shall finance the cost of the proposed water main extensions in accordance with the provisions of Administrative Regulation 807 KAR 5:066, Section 11(2).

Done at Frankfort, Kentucky, this 19th day of November, 1998.

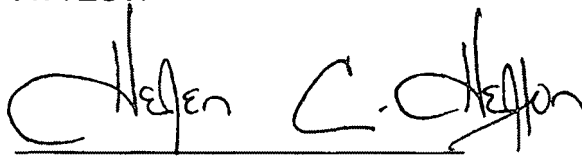
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director