

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HICKORY WATER	)	
DISTRICT FOR (1) ISSUANCE OF A CERTIFICATE	)	
OF PUBLIC CONVENIENCE AND NECESSITY FOR	)	
CONSTRUCTION OF THE 1998 INDUSTRIAL PARK	)	
WATER SYSTEM IMPROVEMENTS; (2)	)	CASE NO. 99-084
AUTHORIZATION TO BORROW \$528,000 FROM	)	
KENTUCKY INFRASTRUCTURE AUTHORITY; AND	)	
(3) AUTHORIZATION TO RAISE RATES TO PAY	)	
FOR THE ADDITIONAL INDEBTEDNESS	)	

O R D E R

On April 15, 1999, Hickory Water District ( Hickory District ) submitted an application for a Certificate of Public Convenience and Necessity to construct a \$1,090,000 waterworks improvement project, for approval of its plan of financing for this project, and for adjustments to its water service rates.

The project consists of the construction of a new 500,000 gallon elevated water storage tank and appurtenances, 9,200 linear feet of 12-inch water mains, and new high service pumps. An existing storage tank will be abandoned. This project is necessary to serve Industrial Park #3 in Graves County, Kentucky, with potable water and to allow for fire protection facilities. In addition, this project benefits the entire water district area with additional water storage capacity to comply with the Commission's one-day storage requirement as set out in 807 KAR 5:066 and increased water pressure in certain low-pressure areas. Funding for the proposed project consists of a \$500,000 grant from the U.S. Department of Commerce, Economic Development Administration and a \$528,000

loan from the Kentucky Infrastructure Authority that carries an annual interest rate of 1.8 percent.

Hickory District has requested that Commission approval of the proposed construction and financing be granted as expeditiously as possible so that construction may begin in a timely manner. By subsequent Order in this case, the Commission will address the rates necessary to provide the utility with an opportunity to recover its reasonable operating costs, service its debt, and provide a reasonable surplus for equity growth.

After review of the evidence of the record and being otherwise sufficiently advised, the Commission finds that:

1. Hickory District proposes to construct a 500,000 gallon elevated water storage tank and appurtenances, 9,200 linear feet of 12-inch water main, and new high service pumps.
2. Plans and specifications for the proposed improvements prepared by Hunter, Martin & Associates, Inc. of Paducah, Kentucky, have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.
3. Public convenience and necessity require that the construction identified in Hickory District s application be performed and that a Certificate of Public Convenience and Necessity be granted.
4. The financing plan proposed by Hickory District 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. It should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Hickory District is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the plans and specifications of record herein.

2. Hickory District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

4. Hickory District 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 should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

5. Hickory District shall require construction to be inspected 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.

6. Hickory 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 construction certificated herein.

7. Hickory District is authorized to issue notes to the Kentucky Infrastructure Authority in an amount not to exceed \$528,000.

8. The proceeds from the \$528,000 note shall be used only for the lawful purposes specified in Hickory District's application.

9. Hickory District's application for adjustments to retail rates is continued generally.

10. Nothing contained herein shall be construed as constituting approval of any other portion of Hickory District's application.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 14<sup>th</sup> day of May, 1999.

By the Commission

ATTEST:

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Executive Director