

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE DEVIATION OF KENTUCKY TURNPIKE WATER)	
DISTRICT FROM 807 KAR 5:066, SECTION 11 OF)	
THE NICHOLS WATER LINE EXTENSION)	CASE NO. 99-192
AGREEMENT)	
)	

ORDER

Kentucky Turnpike Water District (Kentucky Turnpike) has applied, pursuant to Administrative Regulation 807 KAR 5:066, Section 11(4), for Commission approval of its proposed arrangement for extending four miles of 12-inch water service main to serve the Nichols area of Bullitt County, Kentucky. By this Order, the Commission approves the proposed extension arrangement.

Kentucky Turnpike proposes to construct four miles of 12-inch water main within its Division I area. This main connects to a 16-inch water main that the Louisville Water Company owns. Estimated cost of the proposed main extension is \$1,000,000. Kentucky Turnpike proposes to finance this main extension through a grant of \$500,000 from the Kentucky State Treasury,¹ \$100,000 contribution from the Bullitt County Board

¹ As part of the Executive Branch Appropriations Act (House Bill 321), the General Assembly designated proposed extension project as a contingent capital construction project and provided for its funding under the General Fund Surplus Expenditure Plan. 1998 Ky. Rev. Stat. & R. Serv. 2240. On July 31, 1998, the Secretary of the Finance and Administration Cabinet certified that the General Fund Undesignated Fund Balance had closed at levels sufficient to fund the proposed project. See Letter of John P. McCarty to Hon. Larry Saunders and Hon. Jody Richards of July 31, 1998. Under the appropriation, \$500,000 from the General Fund will be expended for the project.

of Education and \$400,000 from customer contributions. Kentucky Turnpike will not issue any debt instruments to finance the proposed extension; nor is any adjustment of Kentucky Turnpike's rates proposed.

Kentucky Turnpike proposes to require each customer directly connecting to the extension for 10 years after the extension's completion to contribute \$4,000. Once \$400,000 is recovered from customer contributions and additional customers connect, each customer's contribution will be recalculated to ensure that he or she contributes equally to the cost of construction. Refunds will be made to those customers who have previously contributed to the cost of the extension to reduce their contribution to the currently calculated amount for each new customer connection. Kentucky Turnpike will not assess any contribution from the Bullitt County Board of Education when the Nichols Elementary School is connected to the proposed water main extension.

The proposed extension arrangement differs from the arrangement set forth in Administrative Regulation 807 KAR 5:066, Section 11(1) and (2). This regulation requires a water utility to assume the cost of 50 feet of a water main extension for each applicant applying for service and the applicants to contribute the remaining cost. Applicants are then refunded the cost of 50 feet of the extension for each additional customer who connects to the main extension within 10 years of its construction. Administrative Regulation 807 KAR 5:066, Section 11(4), permits water utilities to make extensions under different arrangements provided such arrangements have received prior Commission approval.

The Commission finds that the proposed extension arrangement is reasonable, will not adversely affect the interests of potential customers, and will not result in unreasonable discrimination. Based upon the expected number of applicants for

service, proposed applicants will be required to pay less of the extension s cost under the proposed arrangement than the normal extension arrangement. The water district, moreover, will assume a larger share of the extension costs than required by Commission regulations. We further find that, given the size of the Nichols Elementary School s demand, the provisions of the proposed arrangement that require the Bullitt County Board of Education to make a large contribution and to forego any refunds are reasonable.

IT IS THEREFORE ORDERED that the proposed arrangement for extending water service to the Nichols area of Bullitt County, Kentucky is approved.

Done at Frankfort, Kentucky, this 11th day of June, 1999.

By the Commission

ATTEST:

Executive Director