

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN WATER)
COMPANY FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY AUTHORIZING) CASE NO. 94-292
THE CONSTRUCTION OF A THREE (3) MILLION)
GALLON GROUND STORAGE TANK AND PUMP)
STATION, AND 2,700 FEET OF 30-INCH MAIN)

O R D E R

On August 23, 1994, Kentucky-American Water Company ("Kentucky-American") filed an application for a Certificate of Public Convenience and Necessity to construct a three million gallon water storage tank, pump station, and transmission line at an estimated cost of \$3,085,350. The construction will be initially financed by funds available from a previous financing or short-term bank borrowings and subsequently converted to permanent financing.

The proposed construction will provide additional water storage and pumping facilities in the southwestern part of Kentucky-American's service territory. This area has experienced a significant increase in demand for water service and is projected to achieve higher demand levels in the future. This high rate of growth has created low-pressure problems during periods of high demand. During the system's maximum demand day the existing facilities in this area were inadequate to maintain proper pressure.

Drawings and specifications for the proposed improvements prepared by GRW Engineers, Inc. of Lexington, Kentucky ("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. The proposed construction consists of a three million gallon storage tank and pump station on Clays Mill Road just south of the Fayette/Jessamine County line, 2,700 feet of 30-inch water main to connect the tank to the existing system and related appurtenances. After allowances are made for fees, contingencies, and other indirect costs, the total cost of this project is approximately \$3,085,350.

2. During periods of high demand, low-pressure problems exist in the southwestern portion of Kentucky-American's service territory. These problems are projected to recur and are properly addressed in this instance by the addition of water storage facilities. The storage tank proposed in this case will result in higher system operating pressures, increased storage capacity, improved fire flows and more consistent service in the southwestern portion of Kentucky-American's service territory.

3. A water utility is required by Commission Regulation 807 KAR 5:066, Section 4(4), to have sufficient water storage capacity to provide a minimum of one-day's supply of its average daily water usage. Kentucky-American's existing storage capacity falls short of meeting this requirement and a deviation through the year 2005

was granted in Case No. 93-432.¹ This deviation was granted, in part, based on representations by Kentucky-American that it planned to construct additional water storage facilities totaling 10.75 MGD by December 31, 2005. The 3.0 MGD storage tank proposed in this case is one of the facilities identified in Case No. 93-432.

4. Any deviation from the construction approved should be undertaken only with the prior approval of the Commission.

5. Kentucky-American should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

6. Kentucky-American should document 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.

7. Kentucky-American should 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.

¹ Case No. 94-432, Application Of Kentucky-American Water Company For A Determination By The Public Service Commission Of The Adequacy Of Its Water Storage Capacity Analysis And For A Deviation From 807 KAR 5:066, Section 4(4), Until December 31, 2005 Pursuant To 807 KAR 5:066, Section 18.

8. Kentucky-American should furnish, within 60 days of the date of substantial completion of this construction, a copy of the "as-built" drawings and a signed statement of the Engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

IT IS THEREFORE ORDERED that:

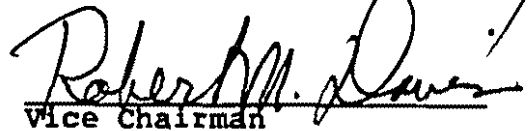
1. Kentucky-American is granted a Certificate of Public Convenience and Necessity to construct a three million gallon ground storage tank and pump station on Clays Mill Road in accordance with the plans and specifications set forth in its application.

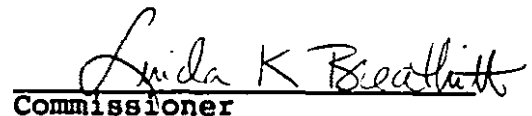
2. Kentucky-American shall comply with requirements contained in Findings 4 through 8.

Done at Frankfort, Kentucky, this 1st day of December, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director