

COMMONWEALTH OF KENTUCKY  
BEFORE THE UTILITY REGULATORY COMMISSION

In the Matter of:

SPEARS WATER COMPANY, INC., FOR )  
APPROVAL OF A CONTRACT FOR )  
EXPANDING AND PROVIDING WATER )  
SERVICES FOR THE SOUTHERN PORTION )  
OF JESSAMINE COUNTY, KENTUCKY )

CASE NO. 7549

O R D E R

The Order addresses the certification and the financing of a construction project for approximately five miles of water main beginning at the end of an existing main on Ky 1268 in southern Jessamine County, Kentucky, and running along Ky 1268, Crenshaw Lane and McGee Lane to a subdivision development adjacent to the southern boundary of Jessamine County, Kentucky. The Spears Water Company, an investor-owned non-energy utility (hereinafter "Utility") owns the existing water main and will own the said extension thereto after construction of the extension is completed by Marvin Lear (hereinafter "Developer"), the owner of the land being developed into home-sites.

On August 15, 1979, the Utility filed with this Commission, a petition seeking approval of a proposed contract with the Developer setting forth the terms agreed upon for payment of the construction cost of the proposed water main. The proposed agreement was not in compliance with Section 12 of 807 KAR 25:050.

A hearing was scheduled for October 25, 1979. At the request of the Utility, however, a conference was held instead of a hearing. The Utility, the Developer and Commission Staff members participated in this conference to establish guidelines acceptable to the Commission for re-writing the contract between the Utility and the Developer. The Commission's Order entered January 24, 1980, denied the Utility's request for approval of the re-written contract.

On February 14, 1980, a request for another conference and for a hearing in the matter was filed by the Utility. The conference was held on February 29, 1980, at the Commission's office in Frankfort, Kentucky.

The matter was set for public hearing on March 27, 1980, at the Commission's office in Frankfort, Kentucky. Notification by letter to parties of interest was done by the Utility prior to the hearing. No protests were entered at the hearing. During the hearing, a mix-up in mailing the notification letter was discovered. The Utility's mailing list did not include all property owners that could be served by the water line. The Utility had assumed that the Developer would be notifying those parties not notified by the Utility. At the close of the hearing, the Utility was directed that it was to make certain the owners of all properties along the route of the proposed construction were notified of the plans for this construction and of the contractual agreement for apportionment of the total cost of construction less fifty feet per new customer to be paid by the Utility; and that the apportionment would be based on sixty-four (64) separately owned parcels of land. Further, the Utility was directed to advise the Commission of its receipt of any protests from the property owners; and was advised that another hearing would be required if any protests were received. No protests have been reported by the Utility. Considerable interest in construction of the water line has, however, been reported.

The Developer and the Utility have prepared plans and have received bids on the proposed construction. A construction permit from the Department for Natural Resources and Environmental Protection has not been obtained as of the date of this Order.

The Commission, after consideration of all the evidence of record, and being advised, is of the opinion and FINDS:

1. That the public convenience and necessity requires construction of the proposed water line and said construction should be approved as set forth in the application, plans and specifications filed in the record in this matter.

2. That the effective date of this Commission's certification should be the date on which the Utility files with this Commission a copy of a "Construction Permit" issued by the Department for Natural Resources and Environmental Protection for the proposed construction.

3. That the proposed construction includes 14,320 linear feet of 6-inch pipe, 12,800 linear feet of 4-inch pipe, five gate valves and boxes and 25 service connections, all at a \$106,750 construction cost per the low bidders unit price bid tabulation.

4. That any construction deviations from the contract plans and specifications, herein approved, which could adversely affect service to any customer should be subject to the prior approval of this Commission.

5. That the Utility will award and administer the contract for construction and be responsible for providing construction supervision to insure that the work by the contractor conforms to the best construction practice and is done in accordance with the contract plans and specifications.

6. That, in accordance with terms of the agreement between the Utility and the Developer: (a) the Developer will pay for the cost of construction from private funds; (b) upon completion of construction, the Developer will convey and transfer ownership of the constructed water line to the Utility; (c) the Utility will maintain the line and provide water service to all parties along the line requesting service and at the existing rates of the Utility; and (d) the Utility will collect the apportioned cost per user as each user is connected and refund this money along with its own money for the average cost of fifty (50) feet of the line for each user to the Developer, with this refund

period of repayment to the Developer to be over the ten year period following completion of the line. The Commission finds the terms of the agreement as herein set forth and the other more detailed matters not set forth herein, to be fair, just and reasonable terms for all parties concerned.

7. That the Utility should provide inspection of the construction to insure that the construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

8. That the Utility should furnish the Commission with duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within sixty (60) days of the date that construction is substantially completed.

9. That within sixty (60) days of the date of substantial completion of this construction, the Utility should furnish this Commission with a copy of the as-built plans and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

#### ORDERS IN THIS MATTER

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the Utility be and is hereby granted a Certificate of Public Convenience and Necessity to construct approximately five (5) miles of water main extension, in accordance with the contract plans and specifications filed in the record in this matter.

IT IS FURTHER ORDERED that any construction deviations from the contract plans and specifications, herein approved, which could adversely affect service to any customer, shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that the effective date of this Order shall be the date on which the Utility files with this Commission a copy of the Department for Natural Resources and Environmental Protection "Construction Permit" approving construction of the proposed water line.

IT IS FURTHER ORDERED that the Agreement between the Utility and the Developer signed March 27, 1980, and made a part of the record (Exhibit "A") in this matter be and the same is hereby approved.

IT IS FURTHER ORDERED that the Utility be and is hereby authorized to finance this \$106,750 construction project in accordance with the terms of the agreement of record in this matter between the Utility and the Developer.

IT IS FURTHER ORDERED that the Utility shall file with the Commission a duly verified document or documents which show the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within sixty (60) days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the Utility shall provide for construction inspection to insure that the contractor's construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED that the Utility shall, within sixty (60) days of substantial completion of the proposed construction, furnish this Commission with a copy of the as-built plans and a certification that the construction has been satisfactorily completed and is in accordance with the contract plans and specifications.

Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or any agency thereof, of the financing for this project.

Done at Frankfort, Kentucky, this 29th day of August, 1980.

UTILITY REGULATORY COMMISSION

*Robert S. Taylor*  
Chairman

*John Rozman*  
Vice Chairman

*Mary Ray Oaker*  
Commissioner

ATTEST:

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Secretary