

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION OF THE NORTH BARREN)
WATER ASSOCIATION, INC., A NON-PROFIT)
CORPORATION INCORPORATED PURSUANT TO)
CHAPTER 273 OF THE KENTUCKY REVISED)
STATUTES, WHICH HAS ITS PRINCIPLE)
PLACE OF BUSINESS IN BARREN COUNTY,)
KENTUCKY, FOR (1) A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
AUTHORIZING AND PERMITTING SAID)
WATER DISTRICT TO EXTEND AND CON-) CASE NO. 7717
STRUCT WATER LINES AND DISTRIBUTION)
SYSTEM NEEDED TO SERVE IN THE EXTENDED)
SERVICE DISTRICT; (2) APPROVAL OF THE)
PROPOSED PLAN OF FINANCING SAID PROJECT;)
AND (3) APPROVAL OF INCREASE OF WATER)
RATES AND SCHEDULE OF WATER RATES)
PROPOSED TO BE CHARGED BY THE DISTRICT)
TO CUSTOMERS OF THE DISTRICT AND EXTENDED)
LINES THEREFOR)

INTERIM ORDER

Preface

On January 21, 1980, the North Barren Water Association, Inc., hereinafter referred to as the Utility, filed with this Commission its duly verified application seeking: (1) a "Certificate of Public Convenience and Necessity" authorizing the construction of certain improvements to its existing water distribution system; (2) approval of its proposed plan for financing the proposed project; and (3) approval of its proposed adjustment in water service rates.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, on March 11, 1980. All parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes and the Consumer Protection Division of the Attorney General's Office intervened in the matter.

A copy of a letter from the Sanitary Engineering Division of the Kentucky Department of Natural Resources and Environmental Protection approving the plans and specifications is on file with this Commission.

The complete record and testimony in this matter through the conclusion of the March 11, 1980 hearing has been considered by the Commission in the making of this Order. This Order addresses the application for a certificate of public convenience and necessity. The matter of an adjustment of the Utility's rates will be addressed by a subsequent Order of this Commission.

Findings In This Matter

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

1. That public convenience and necessity requires construction of the proposed improvements to the Utility's existing water distribution system in the areas defined by the application and exhibits filed in this matter.

2. That the construction project proposed by the Utility includes approximately 38,400 linear feet of 6-inch pipe, approximately 40,700 linear feet of 4-inch pipe, 47 customer service connections, a pumping station, and other miscellaneous additions and improvements; all at a total project cost of \$350,000.

3. 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.

4. That the financing of this project by means of \$18,800 in service connection fees, and FmHA Grant of \$183,200 and an FmHA Loan of \$148,000 is for lawful objects within the corporate purposes of the Utility, is necessary and appropriate for and consistent with the proper performance by the Utility of its service to the public, and will not impair its ability to perform that service.

5. That according to the record in this matter, the existing rates charged by the Utility provided annual revenues of approximately \$28,562 from approximately 216 customers receiving water service during the Test Year ending December 31, 1979. Further, that the addition thereto of \$369 other income yielded total revenues of \$28,931 and resulted in a net income of \$1,562 for the Test Year.

6. That the Utility's adjusted rates should produce revenues adequate to meet its total annual expenses which have been estimated as \$44,900 for the first year of operations after completion of the proposed construction. Further, the revenues from these rates should also provide for debt retirement and cash working funds for adequate day to day operations of the Utility in the providing of reliable, adequate and efficient services to its customers.

7. That the rates proposed by the Utility are as follows:

| <u>Gallage Blocks of Metered Usage</u> | <u>Monthly Rate for Each Gallage Block</u> |
|--|--|
| First 2,000 gallons | \$7.50 (Minimum Bill) |
| Next 5,000 gallons | 2.00 per 1,000 gallons |
| Next 10,000 gallons | 1.50 per 1,000 gallons |
| Next 20,000 gallons | 1.25 per 1,000 gallons |
| Next 20,000 gallons | 1.00 per 1,000 gallons |
| Over 57,000 gallons | .75 per 1,000 gallons |

Further that the granting of a certificate of convenience and necessity prior to the date of expiration of the low bid received for the proposed construction, requires that consideration of the proposed rates be addressed by a subsequent Order of this Commission. The Commission, therefore, makes no decision at this time regarding the proposed rates except as stated in Finding No. 6.

8. That the Utility should furnish this 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 the contract between the Utility and the Engineer should require the Engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

10. That within sixty (60) days of the date of substantial completion of this construction, the Utility should require the Engineer to furnish this Commission with a copy of the "As-Built Plans along with the Engineer's certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

11. That a 5/8" x 3/4" water meter should be the Utility's standard customer service meter and should be installed at all points of service unless the customer provides sufficient justification for

the installation of a larger meter. Further, that any customer with a larger meter, with the exception of special contract customers, should pay for the service in accordance with the Applicant's approved meter size rate schedules.

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 it is hereby granted a Certificate of Public Convenience and Necessity to construct the proposed extensions, additions, and other improvements to its existing water distribution system in the areas set forth in the application and in accordance with the contract plans and specifications filed in this record.

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 Utility be and it is hereby authorized to finance the proposed construction project by means of \$18,800 in service connection fees, an FmHA Grant of \$183,200 and the borrowing of \$148,000 by the issuance of a note and mortgage at an interest rate not to exceed five percent (5%). Further that this \$350,000 in project funds shall be used only for the lawful objects as set forth in the application.

IT IS FURTHER ORDERED that the Utility file with this 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 contract between the Utility and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident inspection under his supervision 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.

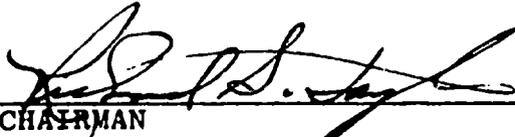
IT IS FURTHER ORDERED that the Utility shall require the Engineer, within sixty (60) days of substantial completion of the proposed construction, to furnish this Commission with a copy of the "As-Built Plans" and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED that a 5/8" x 3/4" meter shall be the Utility's standard customer service meter and shall be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter. Further, that any customer with a larger meter, with the exception of special contract customers, shall pay for that service in accordance with the Utility's approved meter size rate schedules.

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

Done at Frankfort, Kentucky this 2nd day of April, 1980.

UTILITY REGULATORY COMMISSION


CHAIRMAN


VICE-CHAIRMAN


COMMISSIONER

ATTEST:

SECRETARY