

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

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In the Matter of:

THE APPLICATION OF THE WEBSTER COUNTY)
WATER DISTRICT, WEBSTER COUNTY, KENTUCKY)
FOR A CERTIFICATE OF CONVENIENCE AND) CASE NO. 7735
NECESSITY, PURSUANT TO KRS 278.020)
AUTHORIZING THE CONSTRUCTION OF CERTAIN)
WATER SERVICE FACILITIES)

INTERIM ORDER

Preface

On February 11, 1980, the Webster County Water District, hereinafter referred to as the "Utility", filed with this Commission a duly verified application seeking (1) a Certificate of Convenience and Necessity authorizing the construction of a proposed \$2,600,000 water distribution system; (2) approval of the proposed financing plan required for this project; and (3) approval of proposed water service rates.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky on April 17, 1980. All parties of interest were notified, and no protests were entered at the hearing. Prior to the hearing, however, a petition signed by 27 residents of Webster County requesting they be served by the proposed construction was filed with the Commission.

A copy of a letter from the Sanitary Engineering Division of the Kentucky Department for 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 April 17, 1980 hearing has been considered by the Commission in the making of this Order. This Order addresses the certification of construction and the financing thereof. The matter of establishment of rates for this Utility 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 Utility's proposed water distribution system in the areas described in the Application.

2. That the construction project proposed by the Utility consists of approximately 54.5 miles of water distribution pipe varying in size from 4"-12", a booster pump station, two 300,000 gallon water storage tanks and approximately 342 service connections at a total project cost of \$2,600,000.

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 composed of \$46,000 in service connection fees, a FmHA grant of \$1,651,000, a HUD grant of \$200,000 and \$703,000 in water revenue bonds 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 the financing plan for this project provides for an operating reserve fund of \$40,000 to be used by the Utility to supplement water revenues during the first five years of operation. The Commission further finds that this \$40,000 reserve fund should be established by the District, as set forth in the FmHA letter of conditions dated August 8, 1979, to be utilized as needed over the first five (5) years of operation.

6. The Commission acknowledges that its obligation to properly consider the Utility's proposed rates is an inherent part of this certificating Order. Further, that the rates set by this Commission should satisfy bond ordinance requirements and provide for revenues adequate to meet the Utility's financial obligations.

7. That a 5/8" x 3/4" meter should be the 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 Utility's approved meter size rate schedules.

8. 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.

9. 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" and a certification that the construction work has been satisfactorily completed in accordance with the contract plans and specifications.

10. 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.

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 Convenience and Necessity to construct a water distribution system in the areas set forth in the application and in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED that any construction deviations from the contract plans and specifications, herein approved, which could adversely affect the 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 this construction project by \$46,000 in service connection fees, a \$1,651,000 FmHA grant, a \$200,000 HUD grant, and the issuance of \$703,000 in water revenue bonds at an interest rate not to exceed 5%. Further, that this \$2,600,000 in project funds shall be used only for lawful objects as set forth in the Application.

IT IS FURTHER ORDERED that the Utility's financing plan shall include the establishment of a \$40,000 reserve fund to be utilized as needed over the first five (5) years of operation to supplement water revenues; all in accordance with the conditions set forth in the Farmers Home Administration's letter dated August 8, 1979.

IT IS FURTHER ORDERED that a 5/8" x 3/4" meter shall be the 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, shall pay for that service in accordance with the Utility's approved meter size rate schedule.

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 the date of substantial completion of this construction to furnish this Commission with a copy of the "As-Built Plans" and a certification that the construction work has been satisfactorily completed and was done in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED that the Utility shall file with this Commission duly verified documentation showing 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.

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

Done at Frankfort, Kentucky, this 21st day of May, 1980.

UTILITY REGULATORY COMMISSION

CHAIRMAN

VICE-CHAIRMAN

COMMISSIONER

ATTEST:

SECRETARY