

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

In the Matter of:

APPLICATION AND NOTICE OF OLDHAM)
COUNTY WATER DISTRICT FOR APPROVAL)
OF INTERIM RATES; FOR APPROVAL OF)
PERMANENT RATES; ORDER AUTHORIZING)
LONG TERM FINANCING; CERTIFICATE OF)
CONVENIENCE AND NECESSITY; AND)
PERMISSION TO FILE PERMANENT RATE)
AND TARIFF INFORMATION AFTER BIDS)
ARE RECEIVED)

CASE NO. 7798

O R D E R

Preface

On March 28, 1980, the Oldham County Water District (hereinafter referred to as the "Utility") filed with this Commission its duly verified application seeking approval for: (1) interim rates, (2) permanent rates, (3) a certificate of public convenience and necessity, (4) approval of a proposed method of financing, and (5) authority to file additional project cost information after bids are received. Approximately 2000 customers are currently being served by the Utility.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, on May 22, 1980. All parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes. The Consumer Intervention Division of the Attorney General's Office and the City of LaGrange, Kentucky, are intervenors of record in this matter. At the hearing, certain requests for additional information were made by the Commission staff and this information has been filed.

The Commission addressed the matter of interim rates by its "Interim Order" entered July 2, 1980.

This Order addresses the Utility's construction and financing proposals for the project.

The matter of rate adjustments resulting from additional debt service costs and other pro forma costs will be addressed by a subsequent Order of this Commission.

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

Findings in this Matter

The Commission, after a review of the record and being advised, is of the opinion and finds:

1. That in consideration of matters related to the awarding of a contract for construction of the Utility's proposed project, the Commission received testimony on said matters at the May 22, 1980 hearing. The evidentiary record of the said hearing, the "Tabulation of Bids" filed September 19, 1980 and the "Engineer's Recommendations for Award of Construction Contracts" filed October 10, 1980, have established the basis for entering this Order addressing the certification of construction and the financing thereof.

2. That public convenience and necessity requires construction of the Utility's proposed Waterworks System Project in Oldham County, Kentucky, as set forth in the application.

3. That the Utility's proposed construction project includes new source of supply wells, source-of-supply (raw-water) pumps, a 24-inch raw-water main, a new water treatment plant, a treated water pumping station, a 100,000 gallon storage tank, a 200,000 gallon storage tank, other appurtenances and improvements and water distribution mains as follows: 13,525 feet of 24-inch pipe (includes raw-water main), 11,450 feet of 14-inch pipe, 25,280 feet of 12-inch pipe, 6,600 feet of 10-inch pipe, 2,875 feet of 8-inch pipe, and 100 feet of 6-inch pipe, all at a total project cost of \$3,993,000.

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 financing of this project is composed of: \$473,000 contributions in aid of construction from the Kentucky Department of Corrections and a FmHA loan (40 years at 5%) in the amount of \$3,520,000. Said financing is for lawful objects within the corporate purpose 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.

6. That an adjustment of current rates will be required to provide for servicing of the debt on the proposed project. Further, that the Utility has proposed that the following rates be approved to satisfy the said adjustment of rates.

Retail Customers:

<u>Gallonge Blocks of Metered Usage</u>	<u>Monthly Rate for Each Gallonge Block</u>
000 - 2,000	\$6.00 (Minimum Bill)
2,000 - 5,000	2.00 per 1,000 gallons
5,001 - 9,000	1.50 per 1,000 gallons
9,001 - 20,000	1.00 per 1,000 gallons
20,001 - 40,000	.80 per 1,000 gallons
Over 40,000	.63 per 1,000 gallons

Wholesale Customers:

City of LaGrange	\$.63 per 1,000 gallons
Kentucky State Reformatory	.63 per 1,000 gallons

The Commission is concerned that the proposed rate of \$0.63 per 1,000 gallons may not be adequate for recovery of all costs associated with the delivery of potable water to the Utility's customers. No factual findings regarding the costs that must be recovered from water sales can be made, however, without an "Engineering Analysis" of said costs. Further, that the Utility should require its Engineer to perform the said analysis and provide a copy thereof to this Commission within forty-five (45) days of the date of this Order.

7. 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. Further, that said documentation should show the separate costs for wells, treatment plant, tanks, pumping station, mains, etc.

8. That the contract between the Utility and the Engineer should require the Engineer to provide general engineering supervision and full time resident inspection 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 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 in the evidentiary record in this case:

HEREBY ORDERS that the Utility be and it is hereby granted a certificate of public convenience and necessity for construction of improvements to its existing system including new water wells, a water treatment plant, two storage tanks, a pumping station, approximately 11.3 miles of water mains and other improvements as required to meet the demand for potable water in Oldham County, Kentucky, in accordance with the contract plans and specifications filed 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 Utility be and it is hereby authorized to finance this construction project with \$473,000 contributions in aid of construction from the Kentucky Department of Corrections and the issuance of \$3,520,000 in revenue bonds at an interest rate not to exceed 5%. Further, that this \$3,993,00 in project funds shall be used only for the lawful objects as set forth in the application.

IT IS FURTHER ORDERED that the Utility shall file with this Commission, within forty-five (45) days of the date of this Order, an "Engineering Analysis" of its operating and non-operating costs showing apportionment of those costs to the City of LaGrange, the Kentucky State Reformatory and its other customers collectively for the reasons previously set forth in Finding No. 6 of this Order.

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, all in accordance with Finding No. 7 of this Order.

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 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 and was done 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 herein authorized.

Done at Frankfort, Kentucky, this 5th day of November, 1980.

UTILITY REGULATORY COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary