

COMMONWEALTH OF KENTUCKY
BEFORE THE UTILITY REGULATORY COMMISSION

* * * * *

In the Matter of

THE APPLICATION OF THE FLEMING COUNTY)
WATER ASSOC., INC. A NON PROFIT CORPORA-)
TION OF 207 COURT SQUARE, FLEMINGSBURG,)
FLEMING COUNTY, KENTUCKY, 41041, FOR)
(1) A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, AUTHORIZING AND PERMITTING) CASE NO. 7992
SAID WATER ASSOCIATION TO CONSTRUCT AD-)
DITIONAL WATER DISTRIBUTION SYSTEM LINES)
TO SERVE WATER TO 194 NEW MEMBERS OF THE)
ASSOCIATION; (2) APPROVAL OF THE PROPOSED)
PLAN OF FINANCING OF SAID PROJECT.)

O R D E R

Preface

On October 10, 1980, the Fleming County Water Association (hereafter referred to as the "Utility") filed with the Commission its duly verified application seeking a certificate of Public Convenience and Necessity authorizing the construction of improvements to its existing water distribution system and approval of the method of financing.

The case was set for hearing at the Commission's offices in Frankfort, Kentucky, November 26, 1980. All parties of interest were notified and no protests were entered at the hearing, certain requests for additional information were made by the Commission staff. This information has been filed and the entire matter is now considered to be adequately submitted for the determinations made herein.

This Order addresses the construction and financing proposals of the Utility in order to facilitate the acceptance of the current construction bid on this project which expires January 7, 1981.

A previous Order of this Commission entered on November 21, 1980, in Case No. 7860 addressed the matter of adjustments in the Utility's water service rates.

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, if of the opinion and FINDS:

1. That the rates approved by this Commission as set forth in Appendix "A" of the Order entered November 21, 1980, in Case No. 7860 should also be adequate for the Utility's revenue requirements after completion of construction of this proposed project.

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

3. That the construction project proposed by the Utility consists of approximately 37.3 miles of additional water mains along eight (8) roads as follows: 4.4 miles on Taylors Mill Road, 3.9 miles on Cherry Grove Road, 2.0 miles along Ky 57 through Dalesburg, 4.8 miles along Ky 11 and Ky 156 in the Tilton area, 1.7 miles on Sunset Road, 5.3 miles along the Grange City Road, 14.5 miles along Ky 32 and 0.7 miles on Hussey Road; and 201 service connections; all at a total project cost of \$885,000.

4. 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.

5. That the financing of this project composed of a \$150,000 ARC Grant, a \$443,000 FmHA Grant, a \$260,000 FmHA loan (40 years @ 5%, or such interest rate as may be prevailing at time of closing), and \$33,165 in contributions by the Utility 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.

6. The Applicant in paragraph 6 of its Application states that it will increase the fee charged for membership from \$165.00 to \$330.00 on and after the date of closing of the FmHA loan. The Commission finds that no increase in this fee should be charged until approval of the said increase has been granted by this Commission. Further, the Applicant should submit to this Commission its cost-justified tariff filing for any proposed increase in this fee.

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.

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 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 additions to its existing water distribution system to serve additional residents of Fleming 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 \$33,165 contributions in aid of construction from applicants for service, \$150,000 ARC Grant, a \$443,000 FmHA Grant and \$260,000 FmHA loan (40 years @ 5% or the FmHA interest rate prevailing at time of loan closing). Further, that this \$886,165 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 obtain approval of this Commission for any increased charges for membership fees

before said increases are charged; all in accordance with Finding No. 6 herein.

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 contract between the Utility and the Engineer shall require the Engineer to provide general engineering supervision and full-time resident 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 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 9th day of January, 1981.

UTILITY REGULATORY COMMISSION

Chairman



Vice Chairman

Commissioner

ATTEST:

Secretary