

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of

AN ADJUSTMENT OF RATES AND AUTHORITY )  
TO BUILD AND FINANCE ELEVATED TANK ) CASE NO. 8043  
OF HENRY COUNTY WATER DISTRICT NO. 2 )

INTERIM ORDER

Preface

On January 20, 1981, the Henry County Water District No. 2 ("Utility") filed with this Commission its duly verified application seeking a certificate of public convenience and necessity authorizing the construction of a 300,000 gallon elevated water storage tank and related improvements to its existing water distribution system. The Utility also seeks approval of the proposed plan of financing the project and approval of proposed adjustments to its existing rates for providing water service. Approximately 1822 customers located in Henry, Oldham, Trimble and Carroll Counties in Kentucky are currently being served by the Utility.

The case was set for hearing on all aspects of the application in Frankfort, Kentucky, May 27, 1981. However, due to certain deficiencies in advertising the proposed rates, only testimony concerning the construction and financing portion of the application was heard. All parties of interest were notified in the manner prescribed by the Kentucky Revised Statutes. The Division of Consumer Intervention of the Attorney General's Office is the only intervenor of record in this matter.

This Interim Order addresses matters related to the Utility's proposed construction. A subsequent Order of this Commission will address the Utility's proposed financing and proposed adjustment in 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, is of the opinion and finds that:

1. Public convenience and necessity requires construction of the Utility's proposed waterworks project in Henry County, Kentucky as set forth in the application.

2. The construction bids expire on June 15, 1981. Therefore, the Commission finds that this Order addressing the certification of construction should be entered prior to the date of a final Order in this case.

3. Testimony regarding the Utility's proposed rate adjustments has not been received as of the date of this Order. The Commission, therefore, can make no specific findings herein on the proposed rates or the "Revenue Requirements" to be covered by the new rates.

4. The construction project proposed by the Utility consists of a 300,000 gallon elevated storage tank, an altitude control valve, other appurtenances and improvements, and approximately 1,100 feet of 12-inch pipe, at a total project cost of approximately \$327,500.

5. The Utility proposes to finance this construction project by means of a \$100,000 short-term loan and \$227,500 from its accumulated reserve funds. This matter will be addressed by an Order of this Commission that is to be entered subsequent to the hearing scheduled for June 30, 1981, on the proposed adjustment in rates.

6. 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 60 days of the date that construction is substantially completed.

7. The contract plans and specifications for the proposed construction were prepared by Sieco, Inc., Consulting Engineers ("Engineer"), of 1930 Bishop Lane, Louisville, Kentucky. Further, that said Engineer's continuing contractual obligations to the Utility should include general engineering supervision and adequate resident inspection under the general supervision of the Engineer to insure that the construction work conforms to the best construction practices and is done in accordance with the said contract plans and specifications. Further, that said responsibility is not altered or diminished by an agreement between the Engineer and the Utility which provides for resident inspection by Utility personnel.

8. Within 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.

9. The quantity of water lost in the Utility's distribution system is excessive<sup>(1)</sup> and adversely affects its operating costs. As a corrective measure, the Utility should establish and maintain an ongoing program for leak detection and correction and file monthly reports with this Commission until such time as its distribution system losses have been reduced to 15% or less for three successive months. Said reports should include gallonage and percentages of water produced, sold, used by the Utility and unaccounted for.

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 for construction of the proposed improvements to its existing water system in the area set forth in the application and in accordance with the contract plans and specifications filed in this record.

IT IS FURTHER ORDERED that the Utility shall 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 60 days of the date that construction is substantially completed.

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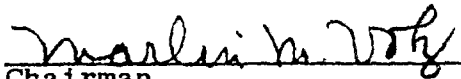
(1) The Utility's annual reports, as filed with this Commission, for calendar years 1980, 1979, and 1978 show that unaccounted for water for these years was 26.32%, 29.66% and 25.67%, respectively.

IT IS FURTHER ORDERED that the contract between the Utility and the Engineer shall require the Engineer to provide general engineering supervision and adequate 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 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.

IT IS FURTHER ORDERED that the Utility shall establish and maintain an ongoing program for leak detection and correction as set forth in finding number nine herein. Further, that the Utility shall file monthly reports to this Commission on this matter until such time as its unaccounted for water has been reduced to 15% or less for three successive months.

Done at Frankfort, Kentucky, this 15th day of June, 1981.  
PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary