

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

THE APPLICATION OF THE SOUTH HOPKINS)
WATER DISTRICT, OF HOPKINS AND CALD-)
WELL COUNTIES, KENTUCKY FOR (1) A)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, AUTHORIZING AND PER-)
MITTING SAID WATER DISTRICT TO CON-)
STRUCT A WATERWORKS CONSTRUCTION)
PROJECT, CONSISTING OF EXTENSIONS,)
ADDITIONS, AND IMPROVEMENTS TO THE)
EXISTING WATERWORKS SYSTEM OF THE)
DISTRICT; (2) APPROVAL OF THE PRO-)
POSED PLAN OF FINANCING OF SAID)
PROJECT; AND (3) APPROVAL OF THE)
INCREASED WATER RATES PROPOSED TO)
BE CHARGED BY THE DISTRICT TO)
CUSTOMERS OF THE DISTRICT)

CASE NO. 8105

INTERIM ORDER

On December 30, 1980, the South Hopkins Water District ("Utility") filed with this Commission its duly verified application seeking a certificate of public convenience and necessity authorizing the construction of extensions, additions, and other improvements to its existing water distribution system. The Utility also seeks approval of the proposed method of financing the project and approval of proposed adjustments to its existing rates for providing water service. Approximately 1100 customers are currently being served by the Utility. Approximately 570 new customer connections are included in the proposed construction.

This case was set for hearing at the Commission's offices in Frankfort, Kentucky, March 31, 1981. Notification of all parties of interest was done in accordance with 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 the construction and financing proposals of the Utility. A subsequent Order of this Commission will address the matter of the adjustment in rates sought by the Utility.

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 Hopkins County, Kentucky, as set forth in the application.

2. The construction bids expire on June 10, 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. No specific findings are made herein regarding the proposed rates. In the final Order in this case, the Commission will set rates necessary to provide the utility with an opportunity to recover its reasonable operating cost, service its debt and provide a reasonable surplus for equity growth.

4. The Utility's proposed construction includes: a 400,000 gallon storage tank; two altitude control valves; two 6-inch master meters; 15 air release valves; 10 fire hydrants; 570 metered service connections; 15,980 linear feet of 3/4-inch service pipe; 242 gate valves and boxes made up of diameter and quantity as follows: 8-inch/21, 6-inch/95, 4-inch/32, 3-inch/84, 2-inch/10; railroad, highway and stream crossings; miscellaneous appurtenances and improvements; and 343,200 linear feet (65 miles) of class 150 pvc pipe of the following diameters and footage: 8-inch/54,500 ft., 6-inch/177,600 ft., 4-inch/31,500 ft., 3-inch/77,600 ft., and 2-inch/2,000 ft. The as-bid price for all of the above is \$1,227,412 with a total project cost of \$1,525,000 after the addition of \$97,588 in nonconstruction costs including easements, fees, interest paid during construction and contingencies. The Utility has secured \$1,525,000 in financing for the said construction, composed of \$56,000 in contributions from applicants for service, a \$682,000 FmHA grant, and a \$787,000 FmHA loan to be secured by the issuance of waterworks revenue bonds.

The construction of a new water treatment plant by the City of Dawson Springs, Kentucky, (the Utility's source of supply) requires the construction of a new primary supply main from the new plant site to the Utility's existing distribution mains. The \$225,000 cost for this part of the Utility's proposed construction is by coal severance funds. This work includes 7,350 linear feet (1.39 miles) of class 150 asbestos cement pipe of the following diameters and footage: 16-inch/7,000 ft., 12-inch/100 ft., 8-inch/100 ft., 6-inch/150 ft. Appurtenances and other

miscellaneous improvements include: one 8-inch master meter; six fire hydrants; four air-release valves; 15,000 lbs. of cast-iron special fittings; and 16 gate valves and boxes of diameter and quantity as follows: 16-inch/6, 12-inch/2, 8-inch/2, 6-inch/6.

5. The financing of this project, as delineated in finding number four herein, 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. 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.

7. 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.

8. The contract plans and specifications for the proposed construction were prepared by Campbell Wallace Consulting Engineers ("Engineer") of 419 Fern Drive, Knoxville, Tennessee. Further that said Engineer's continuing contractual obligations to the Utility should include full-time 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.

9. 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.

10. The quantity of water lost in the Utility's distribution system is excessive⁽¹⁾ 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 the construction of the waterworks improvements delineated by its contract plans, specifications, and amendments thereto as filed in the record in this matter at a total project cost of \$1,750,000.

IT IS FURTHER ORDERED that the Utility be and it is hereby authorized to finance its proposed construction by means of the

(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 19.94%, 27.34% and 24.8%, respectively.

\$1,750,000 financing that has been secured as follows: \$56,000 contributions in aid of construction from applicants for service, coal severance funds in the amount of \$225,000, a \$682,000 FmHA grant, and 40-year FmHA bonds in the amount of \$787,000 at FmHA's current rate of interest. Further, that this \$1,750,000 in project funds shall be used only for the lawful objects as set forth in the application.

IT IS FURTHER ORDERED that any construction deviations from the said contract plans and specifications 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 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.

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 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 construc-

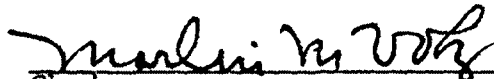
tion has been satisfactorily completed and was done in accordance with the contract plans and specifications.

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 ten 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.

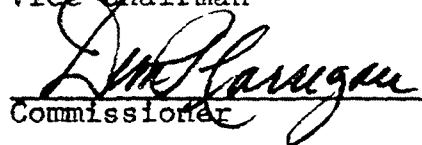
Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

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

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary