

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF HICKORY WATER	)	
DISTRICT, OF GRAVES COUNTY, KENTUCKY,	)	
FOR (1) A CERTIFICATE OF PUBLIC CON-	)	
VENIENCE AND NECESSITY, AUTHORIZING	)	
AND PERMITTING SAID WATER DISTRICT TO	)	
CONSTRUCT A WATERWORKS CONSTRUCTION	)	
PROJECT, CONSISTING OF EXTENSIONS,	)	
ADDITIONS, AND IMPROVEMENTS TO THE	)	CASE NO. 8355
EXISTING WATERWORKS SYSTEM OF THE	)	
DISTRICT; (2) APPROVAL OF THE PRO-	)	
POSED PLAN OF FINANCING OF SAID PRO-	)	
JECT; AND (3) APPROVAL OF THE IN-	)	
CREASED WATER RATES PROPOSED TO BE	)	
CHARGED BY THE DISTRICT TO CUSTOMERS	)	
OF THE DISTRICT	)	

INTERIM ORDER

The Hickory Water District ("Hickory Water") filed its application on September 28, 1981, for approval of adjustments to its water service rates, a certificate of public convenience and necessity for proposed improvements in the amount of \$507,750, approval to borrow \$127,000 from the Farmers Home Administration ("FmHA") and authority to issue waterworks revenue bonds as security therefor. The proceeds from the \$127,000 loan along with a \$359,000 FmHA grant and \$21,750 from applicants for water service are to be used for making the system improvements on which bids were received on September 25, 1981, on the construction of distribution system improvements and on October 7, 1981, on the construction of a water storage tank.

Plans and specifications for the improvements have been approved by the Division of Water of the Department for Natural Resources and Environmental Protection.

A hearing was held October 28, 1981, in the offices of the Public Service Commission, Frankfort, Kentucky, on Hickory Water's financing and certification of the proposed construction. There were no intervenors in this proceeding.

The rate adjustments proposed by Hickory Water will be addressed by a subsequent Order of this Commission.

The Public Service Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

- 1) The public convenience and necessity require that the construction proposed in the application and record be performed, and that a certificate of public convenience and necessity be granted.

- 2) The proposed construction of storage and distribution system improvements includes a 75,000 gallon tank, a pumping station, 28,765 feet of 6-inch pipe, 20 fire hydrants, 73 service connections (70 standard residential size meters, two 1-inch and one 1½-inch) and other appurtenances. The low bid received for the storage tank project was \$120,371; the low bid for the distribution system project was \$175,049. Due to exceptionally competitive bidding, the \$295,420 total of these two bids was

\$162,530 below the final estimate prepared by the Engineer - Community Program Consultants of Paducah, Kentucky. The FmHA recognizes the need for further improvements to the distribution system and has agreed that the funded surplus of approximately \$162,530 can be utilized for these needs. Approval of the total FmHA financing is, therefore, in the public interest and should be granted at this time. Hickory Water, however, should obtain the approval of this Commission before additional construction is begun.

3) 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) The proposed borrowing is for lawful objects within the corporate purposes of Hickory Water, is necessary and appropriate for and consistent with the proper performance of services to the public by Hickory Water, will not impair its ability to perform these services and is reasonably necessary and appropriate for such purposes.

5) The Lowes Water Company, Lowes, Kentucky, has proposed to discontinue the water service it now provides to the community of Lowes and to abandon its water system. The proposed construction will provide for replacement of the services that are to be abandoned. Prior to actual abandonment of its system, however, the Lowes Water Company should obtain this Commission's approval.

6) Hickory Water should furnish 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 between Hickory Water 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.

8) Within 60 days of the date of substantial completion of this construction, Hickory Water should require the Engineer to furnish a copy of the as-built plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

IT IS THEREFORE ORDERED that Hickory Water be and it is hereby granted a certificate of public convenience and necessity to proceed with the proposed construction as set forth in the plans and specifications of record herein.

IT IS FURTHER ORDERED that any construction deviations from the contract plans and specifications approved herein, which could adversely affect the service to any customer, shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that Hickory Water be and it is hereby authorized to borrow \$127,000 from the Farmers Home

Administration at 5 percent over a 40-year period with payment of principal deferred for 2 years and to issue waterworks revenue bonds as security therefor.

IT IS FURTHER ORDERED that Hickory Water be and it is hereby authorized to utilize the funded surplus for the construction herein certificated to pay for additional improvements to its water distribution system. Further, no construction of these additional improvements shall be started without first obtaining approval therefor from this Commission.

IT IS FURTHER ORDERED that Hickory Water shall file with this Commission duly verified documentation which shows the total costs of the construction herein certificated including all 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 Hickory Water 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 Hickory Water shall require the Engineer, within 60 days of the date of substantial completion of the proposed construction, to furnish to this Commission as-built drawings and a signed statement that the construction has been satisfactorily completed and has been done in accordance with the contract plans and specifications.

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

Done at Frankfort, Kentucky this 2nd day of December, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vohs  
Chairman

Katherine Randall  
Vice Chairman

Jim Raruga  
Commissioner

ATTEST:

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Secretary