

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

THE APPLICATION OF NORTH SHELBY WATER)
COMPANY FOR A CERTIFICATE THAT THE)
PRESENT AND FUTURE PUBLIC CONVENIENCE)
AND NECESSITY REQUIRES THE APPLICANT)
TO EXTEND ITS LINES AND CONSTRUCT)
FACILITIES NECESSARY TO CONNECT WITH)
AND PURCHASE WATER FROM FRANKFORT) CASE NO. 8718
WATER PLANT, FOR AN ORDER AUTHORIZING)
THE ISSUANCE OF A NOTE TO FINANCE SUCH)
CONSTRUCTION AND FOR AN ORDER AUTHORIZING)
INCREASES OF RATES)

INTERIM ORDER

The North Shelby Water Company ("North Shelby") filed its application on November 3, 1982, for approval of adjustments to its water service rates, approval of proposed improvements in the amount of \$650,000, approval to borrow \$650,000 from the Farmers Home Administration ("FmHA") and authorization to enter into a security agreement in the amount of \$650,000 with FmHA. The proceeds from the \$650,000 loan are to be used for making the system improvements on which bids were received on September 10, 1982.

The proposed improvements should improve hydraulic flow and service reliability to present customers.

Plans and specifications for the proposed improvements as prepared by Warner A. Broughman III and Associates of Lexington, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

A hearing was held December 9, 1982, in the offices of the Public Service Commission, Frankfort, Kentucky, on North Shelby's financing and proposed construction. There were no intervenors in this proceeding. A hearing on the proposed rates will be held at a future date and an Order addressing North Shelby's rates will be entered subsequent to the hearing.

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

1. 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 project includes extending a 10-inch line from the eastern extremity of North Shelby's system about 10,000 feet to provide for the purchase of water from the Frankfort Electric and Water Plant Board and constructing two pump stations and a 200,000-gallon storage tank, and miscellaneous appurtenances thereto. The low bids received for this work totaled \$438,690, which will require about \$650,000 after allowances are made for fees, contingencies and other indirect costs.

3. Any construction deviations from the contract plans and specifications herein approved which could adversely affect service to any customer should be subject to prior approval of this Commission.

4. The proposed borrowing of \$650,000 is for lawful objects within the corporate purposes of North Shelby, is necessary and

appropriate for and consistent with the proper performance of services to the public by North Shelby, will not impair its ability to perform these services and is reasonably necessary and appropriate for such purposes.

5. North Shelby 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.

6. The contract between North Shelby 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.

7. North Shelby should require the Engineer to furnish to the Commission 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, within 60 days of the date of substantial completion of this construction.

IT IS THEREFORE ORDERED that North Shelby be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction project 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 North Shelby be and it hereby is authorized to borrow \$650,000 from the FmHA at 11.375 percent interest over a 40-year period with payment of principal deferred for 2 years and to enter into a security agreement in the amount of \$650,000 with FmHA.

IT IS FURTHER ORDERED that North Shelby shall file with the 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 North Shelby 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 North Shelby shall require the Engineer to furnish this Commission with 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, within 60 days of the date of substantial completion of the proposed construction.

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 4th day of January, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary