

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE POND CREEK)
WATER DISTRICT, A WATER DISTRICT)
ORGANIZED PURSUANT TO CHAPTER 74)
OF THE KENTUCKY REVISED STATUTES,)
OF PIKE COUNTY, KENTUCKY, FOR)
(1) A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY,)
AUTHORIZING AND PERMITTING SAID)
WATER DISTRICT TO CONSTRUCT) CASE NO. 8979
EXTENSIONS, ADDITIONS, AND)
IMPROVEMENTS TO THE EXISTING)
FACILITIES OWNED AND OPERATED BY)
THE DISTRICT; (2) APPROVAL OF THE)
PROPOSED PLAN OF FINANCING OF)
SAID PROJECT; AND (3) APPROVAL OF)
THE WATER RATES PROPOSED TO BE)
CHARGED BY THE DISTRICT TO)
CUSTOMERS OF THE DISTRICT)

O R D E R

The Pond Creek Water District ("Pond Creek") filed an application on February 3, 1984, for authorization to construct a \$2,643,000 waterworks improvement project and approval of its financing for this project. Pond Creek's financing includes a loan of \$713,000 from the Farmers Home Administration ("FmHA") at 9-1/8 percent for a period of 40 years, a \$650,000 grant from the Department of Housing and Urban Development, a \$500,000 grant from the Appalachian Regional Commission, a \$40,000 grant from the Big Sandy Area Development District, a private contribution of \$650,000, and \$90,000 from applicants for service. Pond Creek will issue waterworks revenue bonds as security for the FmHA loan.

The proposed improvements will provide water service to about 720 additional customers in Pike County. Drawings and specifications for the proposed improvements as prepared by Kenvirons Incorporated of Frankfort, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

On May 17, 1984, the Commission held a public hearing at its offices in Frankfort, Kentucky, for the purpose of considering the reasonableness of the proposed construction, financing and rates. At the hearing certain requests for additional information were made. This information has been filed.

TEST PERIOD

This case was predicated upon new construction and additional customers being added to the system. Due to the magnitude of the construction project and its financial impact upon Pond Creek, the test-year concept would yield totally inadequate revenues. Therefore, the Commission has applied a concept much like that used in initial rate cases where there is no test year upon which to base the rates. Estimated pro forma projections of expenses have been utilized for the determination of revenue requirements.

PROJECTED REVENUES AND EXPENSES

Pond Creek projected operating expenses of \$158,537 on the basis of providing service to 1,000 customers. The Commission is of the opinion that the projected operating expenses generally are proper and they have, therefore, been accepted.

REVENUE REQUIREMENTS

Based on its proposed method of financing Pond Creek projected a debt service of \$67,507. Utilizing the projected number of customers to be served by Pond Creek, the rates proposed should generate sufficient revenues to provide a debt service coverage of 1.2X. The Commission is of the opinion that this coverage is fair, just and reasonable in that it will allow Pond Creek to meet its operating expenses, provide sufficient revenues to meet its debt service requirements and contribute toward adequate equity growth.

FINDINGS AND ORDERS

Based on the evidence of record and being advised, the Commission is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application be performed and that a certificate of public convenience and necessity be granted.

2. The proposed construction includes about 33 miles of new water lines, 5 booster pumping stations, 5 water storage tanks, and miscellaneous appurtenances thereto to provide service to about 720 additional customers. The low bids received for the proposed work totalled \$2,181,606, which will require about \$2,643,000 after allowances are made for fees, contingencies and other indirect costs.

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

4. The construction is to be financed through the issuance of \$713,000 of Pond Creek Water District Waterworks Revenue Bonds, a \$650,000 grant from the Department of Housing and Urban Development, a \$500,000 grant from the Appalachian Regional Commission, a \$40,000 grant from the Big Sandy Area Development District, private contribution of \$650,000, and \$90,000 in connection charges.

5. The initial rate should generate sufficient revenues to meet Pond Creek's operating expenses and debt service requirements and provide for sufficient capital growth.

6. Pond Creek should furnish duly verified documentation of the total cost of the construction 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. Pond Creek's contract with its Engineer should require the provision of construction inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision and inspection should insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Pond Creek 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.

9. Pond Creek should furnish a copy of the record 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.

10. A 5/8-inch X 3/4-inch meter should be the standard customer service meter for all new customers and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter.

11. Pond Creek should file with the Commission a copy of all contractual agreements for the provision of services or the purchase of services which are subject to the approval of this Commission.

IT IS THEREFORE ORDERED that Pond Creek be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction project as described in the plans and specifications of record herein.

IT IS FURTHER ORDERED that any deviations from the construction certificated herein which could adversely affect service to any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are the fair, just and reasonable rates to be charged by Pond Creek for water service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that Pond Creek's proposed financing of the construction herein certificated be and it hereby is approved.

IT IS FURTHER ORDERED that Pond Creek shall file its tariff sheets setting forth the rates approved herein within 20 days of the date of this Order.

IT IS FURTHER ORDERED that Pond Creek 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 Pond Creek and its Engineer shall require the provision of construction inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. This supervision and inspection shall insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

IT IS FURTHER ORDERED that Pond Creek 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.

IT IS FURTHER ORDERED that a 5/8-inch X 3/4-inch meter shall be the standard customer service meter for all new customers

and shall be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter.

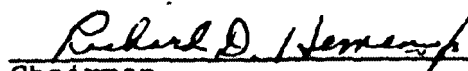
IT IS FURTHER ORDERED that Pond Creek shall file with the Commission a copy of all contractual agreements for the provision of services or the purchase of services which are subject to the approval of this Commission.


IT IS FURTHER ORDERED that Pond Creek is to provide notification of beginning operations to this Commission within 10 days of providing water service to its initial customers.

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 30th day of July, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8979 DATED JULY 30, 1984

The following rates are prescribed for the customers in the area served by Pond Creek Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

RATES: Monthly

First	2,000 gallons	\$12.00 Minimum Bill
Next	8,000 gallons	3.25 per 1,000 gallons
Next	10,000 gallons	3.00 per 1,000 gallons
Over	20,000 gallons	2.75 per 1,000 gallons

Connection Fees

<u>SIZE OF METER</u>	<u>CHARGES FOR CONNECTIONS APPLIED FOR AND PAID DURING THE CONSTRUCTION PHASE OF THE PROJECT</u>	<u>CHARGES FOR CONNECTIONS APPLIED FOR AND/OR PAID AFTER CONSTRUCTION HAS BEEN COMPLETED</u>
5/8-inch X 3/4-inch	\$125	\$310
1-inch	-	400
Over 1-inch		Actual cost of installation