

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MARROWBONE WATER)	
DISTRICT, CUMBERLAND COUNTY, KENTUCKY)	
FOR A CERTIFICATE OF PUBLIC CONVEN-)	
IENCE AND NECESSITY AUTHORIZING SAID)	
DISTRICT TO CONSTRUCT ADDITIONS, EX-)	
TENSIONS AND IMPROVEMENTS TO ITS)	
EXISTING MUNICIPAL WATER DISTRIBUTION)	CASE NO.
SYSTEM PURSUANT TO THE EXPRESS PROVI-)	9302
SIONS OF CHAPTERS 74 AND 106 OF THE)	
KENTUCKY REVISED STATUTES; SEEKING)	
APPROVAL OF A NEW SCHEDULE OF WATER)	
SERVICE RATES AND CHARGES; AND SEEKING)	
APPROVAL FOR THE ISSUANCE OF CERTAIN)	
SECURITIES)	

INTERIM ORDER

The Marrowbone Water District ("Marrowbone") filed an application March 19, 1985, for approval of adjustments to its water service rates, authorization to construct a \$679,900 waterworks project, and approval of its financing for the proposed project. The project financing includes \$24,900 from applicants for service in the proposed project area, a loan of \$372,000 from the Farmers Home Administration ("FmHA") at 5 percent annual interest, and a grant of \$283,000 from the FmHA. Marrowbone will issue waterworks revenue bonds as security for the loan. The repayment period for the loan will be 40 years.

The proposed construction will provide service to about 166 applicants for service. Plans and specifications

for this construction as prepared by Anderson Engineering of Smiths Grove, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

A hearing was held in the offices of the Public Service Commission, Frankfort, Kentucky, on July 30, 1985. There were no intervenors, and no protests were entered.

This Interim Order will address the construction and financing portion of the application. A subsequent Order will address Marrowbone's rate adjustment proposals. In the final Order in this case, the Commission will set rates necessary to provide Marrowbone with an opportunity to recover its reasonable operating costs, service its debt and provide a reasonable surplus for equity growth.

CONTINUITY OF ADEQUATE AND RELIABLE SERVICE

Marrowbone's Engineer has provided information and testimony which appear to indicate that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. The Commission is concerned, however, that Marrowbone's service to its customers in the higher elevations of its service area may not be totally adequate in the long term.

The Commission reminds Marrowbone of its obligation to provide adequate and reliable service to all of its customers. Marrowbone should monitor the adequacy of the expanded water distribution system after construction. If

this monitoring indicates that the level of service is inadequate or declining, Marrowbone must take necessary actions to maintain the level of service in conformance with the regulations of this Commission.

FINDINGS AND ORDERS

The 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 project for the Marrowbone water system includes 166 service connections, about 20.7 miles of 6- and 4-inch water main and miscellaneous appurtenances.

3. The low bids received for the proposed construction totaled \$409,196 which will require about \$679,900 in project funding after allowances are made for fees, contingencies, other indirect costs and additional construction being considered as a result of receiving bids under the final estimate.

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

5. Marrowbone should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

6. Marrowbone should file with the Commission duly verified documentation which shows the total costs of construction including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. The construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

7. Marrowbone's contract with its Engineer should require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. The 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. Marrowbone should require the Engineer to 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.

9. 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.

10. Marrowbone 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.

11. The proposed borrowing of \$372,000 is for lawful objects within the corporate purposes of Marrowbone, is necessary and appropriate for and consistent with the proper performance of services to the public by Marrowbone, and will not impair its ability to perform these services.

12. The financing secured by Marrowbone for this project will be needed to pay for the work herein approved. Marrowbone's financing plan should, therefore, be approved.

IT IS THEREFORE ORDERED that Marrowbone be and it hereby is granted a certificate of public convenience and necessity to proceed with the waterworks construction projects described by the plans and specifications of record herein approved.

IT IS THEREFORE ORDERED that Marrowbone shall comply with Findings 4 through 10 and 12 herein as if each of these findings were also ordered.

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 29th day of August, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Demery
Chairman

[Signature]
Vice-Chairman

[Signature]
Commissioner

ATTEST:

Secretary