

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BECKLEY STATION DIS-)
POSAL SYSTEMS, INC., FOR AN ORDER)
PURSUANT TO CHAPTER 278 OF THE)
KENTUCKY REVISED STATUTES FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY AUTHORIZING AND PER-) CASE NO. 9388
MITTING APPLICANT TO CONSTRUCT AN)
ADDITION TO THE EXISTING SEWAGE)
TREATMENT PLANT SERVING BECKLEY)
WOODS SUBDIVISION AND LAKE FOREST)
SUBDIVISION, JEFFERSON COUNTY,)
KENTUCKY)

O R D E R

Beckley Station Disposal Systems, Inc., ("Beckley Station") filed an application on July 24, 1985, which requested a certificate of public convenience and necessity to expand its present sewage treatment facilities. Beckley Station presently serves the Beckley Woods Subdivision and the Lake Forest Subdivision in Jefferson County, Kentucky.

Plans and specifications for the proposed improvements as prepared by Sabak, Wilson, Heiner and Lingo, Inc., ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

Beckley Station proposes to finance this expansion by executing a note in the amount of \$340,000 to Liberty Bank and Trust Company. The note is payable in full in 2 years.

Upon reviewing the financial statements, it is the Commission's judgment that Beckley Station will be unable to

repay this note within the 2-year period as stated in its application and will ultimately be required to renew a substantial portion of the original balance. Normally, debt should be extended over the life of the asset financed in order to properly match the financing cost over the period of benefit to the ratepayers. Furthermore, the Commission apprises Beckley Station that KRS 278.300(8) states in part that renewal of short-term financing cannot exceed 6 years from the date of the original issue. It should be noted that in the event any cost of the construction is recovered through the sale of property these funds should be accounted for as contributions in aid of construction and used to repay this financing.

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 construction will expand the present sewage treatment facilities to serve the present and future residents of Beckley Woods Subdivision and Lake Forest Subdivision. The project is estimated to cost about \$260,000 and will be funded by executing a \$340,000 note to the

Liberty Bank and Trust Company of Louisville. Eighty thousand dollars of the face amount will be used to retire Beckley Station's debt to NTS Bank. The note is payable in full in 2 years and as such Beckley Station is not seeking Commission approval of the proposed financing.

3. Although Beckley Station did not request approval of its plan of financing, Beckley Station should note KRS 278.300(8) which states that renewal of short-term financing cannot exceed 6 years. In the event this occurs Beckley Station will be required to request approval of permanent financing.

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

5. The plant additions should be recorded in Beckley Station's books of account in accordance with the utility plant instructions and other requirements of the Uniform System of Accounts for Sewer Utilities as prescribed by the Commission.

6. Beckley Station should file with the Commission duly verified documentation which shows the total costs of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

7. Beckley Station'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. 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. Beckley Station 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. Beckley Station 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:


1. Beckley Station 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 drawings and specifications of record herein.

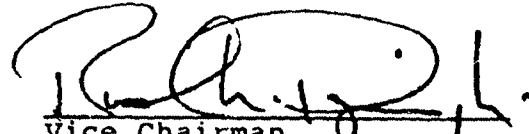
2. Beckley Station shall comply with all matters set out in Findings 3 through 8 as if the same were individually so ordered.

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 20th day of December, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary