

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTH WOODFORD)
COUNTY WATER DISTRICT, (1) FOR A)
CERTIFICATE THAT PUBLIC CONVENIENCE)
AND NECESSITY REQUIRES THE CONSTRUCTION)
OF NEW PLANT FACILITIES AND (2) SEEKING) CASE NO. 9817
APPROVAL OF THE ISSUANCE OF CERTAIN)
SECURITIES; AND (3) FOR AN ORDER AUTHOR-)
IZING ADJUSTMENT OF WATER SERVICE RATES)
AND CHARGES)

O R D E R

On December 10, 1986, South Woodford County Water District ("South Woodford") filed an Application and Motion to reopen Case No. 9344, wherein it had sought Commission approval of adjustments to its water service rates, authorization to construct a \$418,800 waterworks improvement project and approval of its plan of financing for this project. In response to said Motion, the Commission, by Order entered December 23, 1986, established the instant case with the record of Case No. 9344 incorporated by reference.

The amended project funding includes a \$416,000 loan from the Farmers Home Administration ("FmHA"), and \$2,800 from applicants for service in the proposed project area. The FmHA loan will be secured by waterworks revenue bonds maturing over a 40-year period at an interest rate of 9 3/4 percent per annum.

The proposed construction will add water storage facilities and will provide service to approximately seven additional customers. Drawings and specifications for the proposed improvements 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.

Neither South Woodford nor the Commission sought a hearing in this matter. There were no intervenors and all requested information has been filed.

On February 11, 1987, the Commission staff conducted a field review of South Woodford's test period financial records and issued its report on April 9, 1987, containing staff's recommendations. After careful review and investigation of staff's recommendations the Commission is of the opinion that South Woodford will have adequate cash flow to meet its obligations and provide for future equity growth. Therefore, the Commission affirms staff's recommended increase of \$40,545.

South Woodford proposed to generate additional revenue by increasing water usage rates. Each step in the present rate design was increased by 30 to 50 percent in the original proposal. Commission staff has reapportioned the rate increase to a more equitable spread of a 32 percent increase to all rate steps.

South Woodford has filed a complete revision of its rules and regulations which has been made a part of this case. A thorough

review by Commission staff has been made of these revisions and they have been found to be in compliance with Commission regulations.

FINDINGS AND ORDERS

The Commission, after consideration of the 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 be performed and that a certificate of public convenience and necessity be granted.

2. The proposed construction consists of approximately .9 mile of 8- and 4-inch diameter pipelines, a telemetry control system, a 250,000 gallon water storage tank, and related appurtenances. The low bids totaled \$194,346, which will require about \$418,800 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 done only with the prior approval of the Commission.

4. South Woodford should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

5. South Woodford 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. Said construction costs should be

classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

6. South Woodford'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, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

7. South Woodford should require the Engineer to furnish a copy of the "as-built" drawings 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.

8. The financing plan proposed by South Woodford is for lawful objects within its corporate purpose, is necessary and appropriate for and consistent with the proper performance of its service to the public and will not impair its ability to perform these services. The financing plan is reasonably necessary and appropriate for such purposes and should, therefore be approved.

9. If under FmHA loan conditions South Woodford is notified and granted an option to accept a lower interest rate on the date of closing, South Woodford should file the following with the Commission within 30 days of the date of closing: (1) the FmHA notification of the lower interest rate and all correspondence from and to FmHA concerning this notification; (2) a statement of

the interest rate accepted from FmHA; (3) amended pages to its bond resolution and an amended amortization schedule based on the different interest rate if a different rate is accepted; and, (4) full documentation of why the lower rate was not accepted showing an analysis of the higher costs associated with the loan over the loan's repayment period in the event the option to accept the lower rate is not taken by South Woodford.

10. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by South Woodford in that they should produce annual revenues of \$187,153.

11. The revised rules and regulations filed within this case should be approved.

IT IS THEREFORE ORDERED that:

1. South Woodford 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. South Woodford's financing plan consisting of an FmHA loan of \$416,000 and \$2,800 in contributions from applicants for service be and it hereby is approved.

3. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by South Woodford for service rendered on and after the date of this Order.

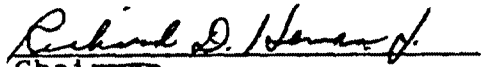
4. The revised rules and regulations are approved as filed February 9, 1987.


5. South Woodford shall comply with all matters set out in Findings 3 through 7 and Findings 9 and 11 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 23rd day of September, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9817 DATED 9/23/87

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

Rate For All Users

Monthly

First 2,000 gallons	\$11.30 Minimum Bill
Next 2,000 gallons	3.35 per 1,000 gallons
Next 6,000 gallons	2.30 per 1,000 gallons
Next 90,000 gallons	2.10 per 1,000 gallons
Over 100,000 gallons	1.85 per 1,000 gallons