

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF POWELL'S VALLEY)
WATER DISTRICT, OF POWELL COUNTY,)
KENTUCKY, FOR APPROVAL OF CON-) CASE NO. 9819
STRUCTION AND FINANCING)

O R D E R

Powell's Valley Water District ("Powell's Valley") by application filed December 16, 1986, is seeking authorization to construct a \$1,120,000 waterworks improvement project and approval of its plan of financing for this project. The project funding includes a \$239,000 loan from the Farmers Home Administration ("FmHA"), a \$607,500 grant from the FmHA, a \$200,000 Economic Development Administration ("EDA") grant and \$73,500 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 5 percent per annum.

The proposed construction will provide service to approximately 294 additional customers. Drawings and specifications for the proposed improvements prepared by Mayes, Sudderth, & Etheredge, Inc., of Lexington, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

CONTINUITY OF ADEQUATE AND RELIABLE SERVICE

The evidence indicates that reliable and adequate service can be maintained throughout the expanded system after completion of

the proposed construction. However, several areas could have service pressure below 30 psig, in violation of 807 KAR 5:066, Section 6 (1). The Engineer filed information which stated that hydropneumatic systems are proposed for any areas where 30 psig cannot be maintained.

The Commission reminds Powell's Valley of its obligation to provide adequate and reliable service to all of its customers. Powell's Valley 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, Powell's Valley must take necessary actions to maintain the level of service in conformance with the regulations of the Commission.

FIRE HYDRANT INSTALLATION

Powell's Valley is proposing to install seven conventional fire hydrants as part of this construction project. These fire hydrant installations are not in compliance with Standard 24 of the National Fire Protection Association as adopted by 815 KAR 10:020 and the "Recommended Standards For Water Works" by the Great Lakes-Upper Mississippi River Board of State Sanitary Engineers as adopted by 401 KAR 6:200.

Powell's Valley was requested by the Commission to document that the proposed conventional fire hydrants were capable of providing fire protection. The Engineer responded that the fire hydrants would be utilized as flushing devices. No mention was made of the fire flow capability of these hydrants. The Recom-

mended Standards for Water Works explicitly states that water mains not designed to carry fire-flows shall not have fire hydrants connected to them.

The Commission in good conscience cannot approve the installation of conventional fire hydrants that cannot provide fire protection in compliance with both state regulations and accepted engineering criteria. There are other pieces of water system equipment which can be used for the intended operation and maintenance procedures instead of fire hydrants. The installation of conventional fire hydrants may mislead the customers of Powell's Valley into believing that the water distribution system is capable of providing adequate and reliable volumes of water for fire protection purposes. Under these circumstances the proposed conventional fire hydrants should not be installed.

FINDINGS AND ORDERS

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

1. With the appropriate monitoring of service system-wide, and the deletion of the proposed conventional fire hydrants, 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 21.1 miles of 6-, 4-, and 3-inch diameter pipelines, a booster pumping station, renovation of the existing pump station, a 100,000-gallon water storage tank, 294 residential service connections, a hydropneumatic station to serve new customers on Highway 11, and

related appurtenances. The low bids totaled \$705,313 which will require about \$1,120,000 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.

3. Powell's Valley should monitor the adequacy of the expanded water distribution system after construction. If the level of service is inadequate or declining, Powell's Valley should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

4. Prior to the installation of any hydropneumatic station, Powell's Valley should file the pertinent design and cost information for this construction with the Commission. Powell's Valley should also file a copy of the approval letter from the Division of Water.

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

6. 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.

7. Powell's Valley intends to extend water service to additional areas of Powell and Estill counties, and is in the process of annexing the applicable areas. Powell's Valley should comply with KRS 74.110 and KRS 74.115 as it pertains to annexing the areas of Powell and Estill counties to be served. Prior to constructing any improvements in or serving the annexed areas in

Powell and Estill counties, Powell's Valley should file the appropriate Powell County Fiscal Court Order and the appropriate Estill County Fiscal Court Order with the Commission.

8. Powell's Valley 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.

9. Powell's Valley'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.

10. Powell's Valley 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.

11. The financing plan proposed by Powell's Valley is for the 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.

12. If under FmHA loan conditions Powell's Valley is notified and granted an option to accept a lower interest rate on the date of closing, Powell's Valley 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 Powell's Valley.

IT IS THEREFORE ORDERED that:

1. Powell's Valley 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 on the condition that service levels be monitored, corrective action taken in accordance with Finding Number 1 and Finding Number 3 of this Order, and that the proposed conventional fire hydrants be deleted.

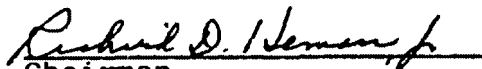
2. Powell's Valley's financing plan consisting of an FmHA loan of \$239,000, an FmHA grant of \$607,500, an EDA grant of \$200,000, and \$73,500 in contributions from applicants for service be and it hereby is approved.

3. Powell's Valley shall comply with all matters set out in Findings 3 through 10 and Finding 12 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 21st day of August, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director