

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE ELKHORN WATER)
DISTRICT (1) FOR A CERTIFICATE OF)
CONVENIENCE AND NECESSITY TO CONSTRUCT)
A WATER STORAGE TANK AND ADDITIONAL) CASE NO. 9896
LINES: (2) FOR APPROVAL OF FINANCING)
PLAN FOR SAID PROJECT: AND (3) FOR)
APPROVAL OF WATER RATES AND CHARGES)

INTERIM ORDER

Elkhorn Water District ("Elkhorn") by application filed March 27, 1987, is seeking approval of adjustments to its water service rates, authorization to construct a \$375,000 waterworks improvement project and approval of its plan of financing for this project. The pipeline construction portion of the proposed project of approximately \$183,738 will be funded from Elkhorn's reserve funds.

The pipeline construction is proposed to provide water service to approximately 41 new customers. Drawings and specifications for the proposed improvements by Warner A. Broughman III and Associates, Lexington, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

This Interim Order will only address the pipeline construction and related financing portion of the application. A subsequent Order will address Elkhorn's rate adjustment proposals and any additional construction. In the final Order in this case,

the Commission will set rates necessary to provide the utility 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

There are several areas which could have pressure above 150 psig, in violation of 807 KAR 5:006, Section 6 (1). The Commission reminds Elkhorn of its obligation to provide adequate and reliable service to all of its customers. Elkhorn 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, Elkhorn must take necessary actions to maintain the level of service in conformance with the regulations of the Commission.

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 to potential high pressure areas, public convenience and necessity require that the pipeline construction proposed in the application be performed and that a certificate of public convenience and necessity be granted.

2. The proposed pipeline construction consists of renovation of 2,000 linear feet of existing line and construction of approximately 6.6 miles of 4- and 3-inch diameter pipelines, and related appurtenances. The low bids totaled \$146,990 which will

require about \$183,738 after allowances are made for fees, contingencies, and other indirect costs.

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

4. 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.

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

6. Elkhorn 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.

7. Elkhorn'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.

8. Elkhorn 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.

9. The funding of the proposed pipeline construction by Elkhorn from reserve funds is for the lawful objects within the corporate purpose of its utility operations, 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 that service and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

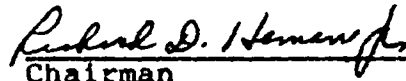
1. Elkhorn be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed pipeline construction project as set forth in the drawings and specifications of record herein on the condition that the potential high pressure areas be monitored and corrective action taken in accordance with Finding Number 1 and Finding Number 3 of this Order.

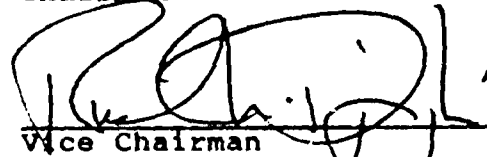
2. Elkhorn shall comply with all matters set out in Findings 3 through 8 as if the same were individually so ordered.

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 14th day of August, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director