

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF CLEARWATER)
DISPOSAL, INC., AND AMBLESIDE LIMITED,)
BELL COUNTY, KENTUCKY, FOR A CERTIFI-)
CATE OF PUBLIC CONVENIENCE AND) CASE NO. 9903
NECESSITY TO CONSTRUCT IMPROVEMENTS)
TO ITS SEWAGE COLLECTION SYSTEM AND)
FOR APPROVAL OF RELATED FINANCING)

O R D E R

Clearwater Disposal, Inc., ("Clearwater") and Ambleside Limited ("Ambleside") filed their joint application on April 2, 1987, for a certificate of public convenience and necessity authorizing the construction of extensions to its sewage collection system and approval of related financing.

The proposed construction will provide sewer service to approximately 29 residential lots in the Gunnergate Subdivision in Bell County, Kentucky. The construction plans and specifications prepared by Vaughn & Melton, Consulting Engineers of Middlesboro, Kentucky, ("Engineer") have been reviewed and found satisfactory by the Division of Water of the Natural Resources and Environmental Protection Cabinet. The project will be funded by Ambleside, the developer of Gunnergate Subdivision, and contributed to Clearwater, which received its original certificate of public convenience and necessity in the Order for Case No. 8274 entered January 15, 1982.

The Commission, after consideration of the 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 convenience and necessity be granted.

2. The construction project proposed by Ambleside consists of approximately 550 linear feet of 8-inch diameter gravity sewers and approximately 1,150 linear feet of 12-inch diameter gravity sewers to provide sewer service for a proposed subdivision consisting of 29 single-family residential units.

3. According to exhibits filed in this case, the estimated cost of \$54,885 for the sewage collection system will be recouped by Ambleside at such time as all 29 lots of the proposed development have been sold.

4. A utility formed by real estate developers should not establish rates which are insufficient to meet its anticipated operating expenses. It has been the Commission's experience that rates which are inadequate result in higher operating expenses because of the utility's continuing need to request increased rates. These rates are unfair to the purchasers of the developed lots who expect to pay low sewage fees for a period of time longer than the initial rates are usually in effect.

5. Ambleside represented to the Commission in Case No. 8274 that it will subsidize any deficits caused by an excess of expenses over income until the subdivision has 75 customers on line. The granting of a certificate of convenience and necessity

herein is expressly conditioned on the performance by Ambleside of such undertaking, and further, on full written disclosure by Ambleside to the first 75 customers that rates may not reflect all the costs of operation of the treatment system. The disclosure shall be made before such customers have committed themselves to purchase property to be served by the system, and shall be in substantially the following form:

The current rate for sewer treatment services for the subdivision is not sufficient to cover operating expenses without a subsidy from the developer. If development does not continue as anticipated, your sewer rates may increase substantially.

6. Within 60 days of the date of substantial completion of construction, Ambleside should provide the Commission with duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.).

7. Within 60 days of the date of substantial completion of construction, Ambleside should require the engineer to furnish the Commission with a copy of the as-built plans and a certification that construction has been satisfactorily completed in accordance with the contract plans and specifications.

IT IS THEREFORE ORDERED that:

1. Ambleside be and it hereby is granted a certificate of public convenience and necessity to proceed with the construction in the application and record.

2. Clearwater be and it hereby is granted a certificate of convenience and necessity to operate the sewage system constructed by Ambleside.

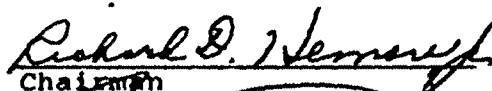
3. The granting of this certificate of convenience and necessity be and it hereby is expressly conditioned upon the representations made by Ambleside stated in Finding Number 5.

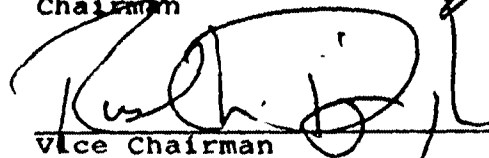
4. Ambleside shall furnish to the Commission written acknowledgement of notice from each customer as contained in Appendix A to this Order.

5. Ambleside shall comply with all matters set out in Findings 6 and 7 as if the same were individually so ordered.

Done at Frankfort, Kentucky, this 23rd day of June, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 9903 DATED June 23, 1987.

I have read and fully understand the following:

The current rate for sewer treatment services for the subdivision is not sufficient to cover operating expenses without a subsidy from the developer. If development does not continue as anticipated, your sewer rates may increase substantially.

Customer's Signature

Address

Date