

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE NORTH HOPKINS)
WATER DISTRICT OF HOPKINS COUNTY,)
KENTUCKY, FOR APPROVAL OF CONSTRUCTION,) CASE NO. 10168
FINANCING AND INCREASED WATER RATES)

INTERIM ORDER

On February 16, 1988, North Hopkins Water District ("North Hopkins") filed a Motion to reopen Case No. 9833 and to issue an Interim Order granting a Certificate of Public Convenience and Necessity. In Case No. 9833, North Hopkins sought Commission approval of adjustments to its water service rates, authorization to construct a \$1,435,900 waterworks improvement project and approval of its plan of financing for the proposed project. On November 6, 1987, the Commission entered a Final Order in Case No. 9833.¹ That Order dismissed the construction and financing portion of the application and granted an adjustment to North Hopkins' water service rates excluding the proposed construction. The construction and financing portion of the application was dismissed due to North Hopkins' inability to complete its application within the 10-month time limitation required by KRS 278.190(3).

¹ The Application of the North Hopkins Water District, of Hopkins County, Kentucky, For Approval of Construction, Financing and Increased Water Rates.

The amended project funding includes a \$1,303,500 loan from the Farmers Home Administration ("FmHA"), a FmHA grant of \$74,000, a County of Hopkins grant of \$150,000, \$137,500 in locally borrowed funds and \$45,200 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.

The construction is proposed to provide water service to approximately 429 new customers. Drawings and specifications for the proposed improvements by William Aldred and Associates, Consulting Engineers, Nashville, Tennessee, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

The Commission finds that good cause exists to grant North Hopkins' Motion in part by establishing the instant case and incorporating by reference the record of Case No. 9833. This Interim Order will only address the proposed construction. A subsequent Order will address North Hopkins' proposed financing and rate adjustment proposals. 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

The evidence indicates that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. However, there are several areas which

could have residual pressure below 30 psig, in violation of 807 KAR 5:066, Section 6(1).

The Commission reminds North Hopkins of its obligation to provide adequate and reliable service to all of its customers. North Hopkins 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, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 6(1), North Hopkins 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. North Hopkins' Motion should be granted in part. In lieu of reopening Case No. 9833, however, a new case should be established and the entire record of Case No. 9833 should be incorporated herein by reference.

2. With the appropriate monitoring of service system-wide, 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.

3. The proposed pipeline construction consists of the construction of approximately 54 miles of 10-, 8-, 6-, 4- and 3-inch diameter pipelines, two elevated water storage tanks, two booster pumping stations, and related appurtenances. The low bids totaled \$1,439,695 which will require about \$1,710,200 after

allowances are made for fees, contingencies, and other indirect costs.

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

5. 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.

6. North Hopkins should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

7. North Hopkins 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.

8. North Hopkins' 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.

9. North Hopkins 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.

IT IS THEREFORE ORDERED that:

1. The Motion filed on February 16, 1988, be and it hereby is granted in part.

2. This case be and it hereby is established to consider North Hopkins' motion for an interim order granting a certificate of public convenience and necessity in lieu of reopening Case No. 9833.

3. The entire record of Case No. 9833 be and it hereby is incorporated by reference into the record of this case.

4. North Hopkins 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 service levels be monitored and corrective action taken in accordance with Finding 2 and Finding 4 of this Order.

5. North Hopkins shall comply with all matters set out in Findings 4 through 9 as if the same were individually so ordered.

6. North Hopkins shall file a new Rate Study with the Commission within 30 days of the date of this Order.

Done at Frankfort, Kentucky, this 19th day of February, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Hemery
Chairman

Robert M. Davis
Vice Chairman

Samuel Williams
Commissioner

ATTEST:

Executive Director