

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES AND TARIFFS FOR)
THE OLDHAM COUNTY WATER DISTRICT;) CASE NO. 10219
APPROVAL OF CONSTRUCTION, FINANCING)
AND INCREASING WATER RATES)

O R D E R

On April 8, 1988, Oldham County Water District ("Oldham County") filed an application for a certificate of public convenience and necessity to construct a \$1,579,000 waterworks improvement project, approval of adjustments of its water service rates, and for approval of its plan of financing for this project. Project funding includes a \$1,504,000 loan from The Kentucky Abatement and Water Resources Authority and \$75,000 from applicants for service in the proposed project area. The loan will be for a 20-year period at an interest rate of 8 percent per annum.

The proposed construction will provide service to approximately 250 additional customers. Drawings and specifications for the proposed improvements prepared by Sieco, Inc., of Columbus, Indiana, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

Oldham County did not seek a hearing in this matter. There were no intervenors and all requested information has been filed.

On May 27, 1988, the Commission Staff ("Staff") conducted a field review of Oldham County's financial records. A report based on this review was issued on July 12, 1988. It recommended that the proposed rate increase be granted. Oldham County has accepted the recommendations contained in the Staff Report.

After careful review of the Staff Report, the Commission agrees with the report's recommendations and believes they should be adopted as the Commission's own findings.

CONTINUITY OF ADEQUATE AND RELIABLE SERVICE

The Engineer states that reliable and adequate service can be maintained throughout the expanded system after completion of the proposed construction. In several areas of the system, however, service pressure could fall below 30 psig, in violation of 807 KAR 5:066, Section 6(1). Also, in several areas of the system service pressure could exceed 150 psig, in violation of 807 KAR 5:066, Section 6(1).

The Commission reminds Oldham County of its obligation to provide adequate and reliable service to all of its customers. Oldham County should monitor the adequacy of the expanded water distribution system after construction. If 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), Oldham County 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 system-wide, public convenience and necessity require the construction proposed in Oldham County's application. A certificate of public convenience and necessity should be granted.

2. The proposed construction consists of approximately 30 miles of 8- and 6-inch diameter pipelines, and related appurtenances. The low bids on the proposed construction total \$1,080,475. After allowances are made for fees, contingencies, and other indirect costs, the proposed construction will cost approximately \$1,579,000.

3. Oldham County should monitor the adequacy of the expanded water distribution system after construction. If 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), Oldham County should take immediate action to maintain the level of service in conformance with the regulations of the Commission.

4. Any deviation 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. Oldham County should obtain approval from the Commission prior to performing any additional construction not expressly listed in its application.

6. Oldham County should furnish proof 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. Oldham County'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. Oldham County should require the Engineer to furnish within 60 days of the date of substantial completion of this construction 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.

9. The financing plan proposed by Oldham County 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.

10. The recommendations contained in the Staff Report as to Oldham County's expenses, revenue requirements, and rates should be adopted as the Commission's own findings.

11. The rates proposed by Oldham County and presented in Appendix A will produce gross annual revenue from water sales of

\$1,278,385. These revenues will be sufficient to meet Oldham County's operating expenses found reasonable for rate-making purposes, service its debt, and provide a cash surplus.

12. Within 30 days of the date of this Order, Oldham County should file with this Commission its revised tariff setting out the rates approved herein.

IT IS THEREFORE ORDERED that:

1. Oldham County be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction project as set forth in its application on the condition that service levels be monitored, corrective action be taken in accordance with Finding 1 and Finding 3 of this Order.

2. Oldham County's financing plan consisting of The Kentucky Abatement and Water Resources Authority loan of \$1,504,000 and \$75,000 in contributions from applicants for service be and it hereby is approved.

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

4. The recommendations contained in the Staff Report as to Oldham County's expenses, revenue requirements, and rates, be and they hereby are adopted as the findings of this Commission.

5. The rates proposed by Oldham County and presented in Appendix A are approved for services rendered by Oldham County on and after the date of this Order.

6. Within 30 days of the date of this Order, Oldham County shall file with the Commission its revised tariff setting out the rates approved herein.

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 22nd day of July, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Weman, Jr.
Chairman

Robert M. Davis
Vice Chairman

Spencer H. Williams, Jr.
Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 10219 DATED 7/22/88

The following rates and charges are prescribed for the customers in the area served by Oldham 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.

RATES: Monthly

First 2,000 gallons	\$8.50 Minimum Bill
Next 3,000 gallons	2.85 per 1,000 gallons
Next 4,000 gallons	2.25 per 1,000 gallons
Next 11,000 gallons	1.50 per 1,000 gallons
Next 20,000 gallons	1.15 per 1,000 gallons
Over 40,000 gallons	.90 per 1,000 gallons

City of LaGrange	.90 per 1,000 gallons
Kentucky State Reformatory	.90 per 1,000 gallons
Henry County Water District No. 2	.90 per 1,000 gallons

Non-recurring Charges

Customer Deposit	\$30
Reconnection	10
Late Payment Charge	10% of bill

Connection Fee

During Construction	\$300
After Construction is Completed	390