

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BEREA COLLEGE WATER)
UTILITY A DEPARTMENT OF BEREA COLLEGE)
FOR A CERTIFICATION AUTHORIZING IT)
TO ENTER INTO A CONTRACTUAL AGREEMENT) CASE NO. 10220
FOR THE ACQUISITION OF A WATER LINE)
TO BE CONSTRUCTED BY THE CITY OF)
BEREA AND BEREA COLLEGE)

O R D E R

On April 8, 1988, Berea College Water Utility ("Berea Water") filed an application for a certificate of public convenience and necessity to construct an estimated \$460,000 waterworks improvement project and for approval of its water line and service contract between the funding parties. Project funding includes \$80,000 from Berea College, one-half of the actual final cost from the Appalachian Regional Commission ("ARC"), and any balance from the City of Berea ("City").

The proposed construction will provide service to the Berea Industrial Park. Drawings and specifications for the proposed improvements prepared by Horne Engineering, Inc., of Nicholasville, 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 engineering information filed indicates that reliable and adequate service can be maintained throughout the expanded system

after completion of the proposed construction. The Commission reminds Berea Water of its obligation to provide adequate and reliable service to all of its customers. Berea Water 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), Berea Water must take necessary actions to maintain the level of service in conformance with the regulations of the Commission.

WATER LINE AND SERVICE CONTRACT

In its application, Berea Water filed Exhibit D - "Draft" Water Line and Service Contract. In the contract, Berea Water has proposed Section I B, which provides that it will refund to Berea Water and to the City their respective funding. Specifically, Berea Water proposes (1) to refund one-third (33 1/3 percent) of the gross revenue realized from the sale of water to customers directly connected to the main extension, (2) to divide the refund between Berea Water and the City in proportion to the total funds provided by each, (3) to establish a refund period of 10 years or until each party has been repaid, whichever is sooner, and (4) not to refund any funding provided by ARC grants. The "Draft" Water Line and Service Contract provided by Berea Water should be approved pursuant to 807 KAR 5:066, Section 12(4).

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 Berea Water's application. A certificate of public convenience and necessity should be granted.

2. The proposed construction consists of approximately 2.1 miles of 12- and 8-inch diameter pipelines, and related appurtenances. The low bids totaled \$268,793 which will require about \$460,000 after allowances are made for fees, contingencies, and other indirect costs.

3. Berea Water 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), Berea Water 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. Berea Water should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

6. Berea Water 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. Berea Water should require construction 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. Berea Water 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 "Draft" Water Line and Service Contract filed by Berea Water should be approved pursuant to 807 KAR 5:066, Section 12(4).

IT IS THEREFORE ORDERED that:

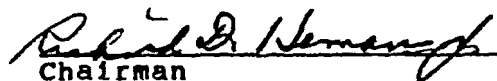
1. Berea Water be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein on the condition that service levels be monitored, and corrective action taken in accordance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

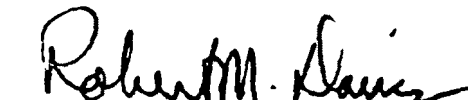
2. The "Draft" Water Line and Service Contract filed by Berea Water be and it hereby is approved.

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

Done at Frankfort, Kentucky, this 13th day of May, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director