

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WEST DAVIESS)	
COUNTY WATER DISTRICT FOR APPROVAL)	CASE NO.
OF A SURCHARGE TO FUND A WATER)	89-086
STORAGE STANDPIPE)	

O R D E R

This case arises from an application filed by West Daviess County Water District ("West Daviess") on April 7, 1989 for a rate surcharge. A hearing was conducted by the Commission on November 17, 1989 upon notice duly published as required by law. On the basis of the testimony and evidence herein, the Commission doth hereby make the following findings of fact, conclusions of law, and Order.

FINDINGS OF FACT

West Daviess is a water district formed and created by Order of the Daviess County Court on January 11, 1966 and currently serves approximately 2600 customers. On April 7, 1989, West Daviess filed an application with the Commission for approval of a rate surcharge of 29 cents per 1,000 gallons of water for the purpose of financing the construction of a 510,000 gallon water storage stand pipe, a valve vault, and approximately 2300 linear feet of water main connector, and for associated legal/professional services. The Commission, by an earlier Order, directed West Daviess to construct the facility.

As proposed in the application, the surcharge will be for a period of five years and the revenues generated by the surcharge will be deposited in an escrow account until construction begins. The escrow account will consist of certificates of deposit guaranteed by the United States government or a "bank federated account" consisting of bonds and treasury notes guaranteed by the United States government. The funds deposited in the escrow account will be used along with revenues generated by the surcharge during construction to pay the costs of the project. To the extent that additional funds not available from other revenues are needed to complete the project, West Daviess will obtain a commercial loan to be repaid with revenues generated by the surcharge after construction is complete.

The estimated project construction cost is \$350,000, with additional interest and closing costs of \$29,377; or a total of \$379,377. The surcharge is estimated to generate \$351,000 over the five-year period and produce \$8,377 in interest income; or a total of \$359,377. The balance of the construction costs of \$20,000 will be paid by West Daviess out of district funds.

The project will be in two phases, the first consisting of the construction of the tank and the second consisting of the construction of a connector line from the existing distribution main to the new tank site. Both phases will be scheduled so that their completion dates coincide as closely as possible.

The proposed construction and surcharge were approved by the board of commissioners of West Daviess on March 15, 1989. After filing its application for Commission approval, Commission Staff

conducted a review of the application on May 16-17, 1989. The Staff Report issued July 18, 1989 and amended August 10, 1989 recommended approval of the surcharge.

CONCLUSIONS OF LAW

1. West Daviess is a water district duly organized and existing under the provisions of KRS Chapter 74.

2. West Daviess should be permitted to impose upon its customers a surcharge of 29 cents per 1,000 gallons of water, subject to the following conditions:

a. The surcharge shall be for a period of not more than five years.

b. All funds generated by the surcharge shall be set apart in a reserve trust account, which shall be invested in securities issued or guaranteed by the United States government until they are needed, and shall be expended, together with any interest or other earnings, solely for the construction of the water storage standpipe and connecting facilities described in the application of April 7, 1989.

c. If construction has not begun within five years after the surcharge is implemented, all funds so collected shall be returned to the water district customers, together with interest and earnings. The district shall maintain its records in such a manner as will enable it, the Commission, or its customers to determine the amounts to be refunded and to whom they are due in the event that surcharge amounts are ordered refunded.

d. West Daviess shall file semi-annual statements detailing surcharge revenues collected, including any interest earned thereon, and all expenditures made. Failure to file the semi-annual reports shall warrant cessation of the surcharge and refunding of the money previously collected.

e. The surcharge constitutes contributions and shall be accounted for in the manner prescribed by the Uniform System of Accounts for Class A and B Water Districts and Associations. The monthly billing shall be debited to customer accounts receivable and credited to the contributions account. When the amount is collected, special funds shall be debited and customer accounts receivable credited.

ORDER

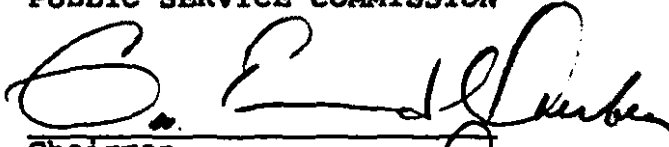
Now, therefore, upon the foregoing Findings of Fact, Conclusions of Law, and upon the entire record, IT IS HEREBY ORDERED:

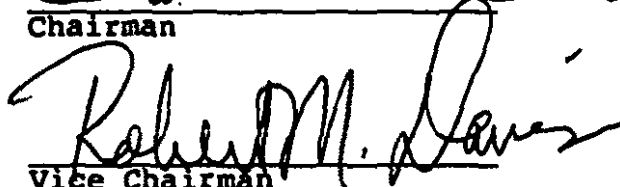
1. The application by West Daviess for a surcharge of 29 cents per 1,000 gallons of water for a five-year period be and is hereby granted.

2. West Daviess shall establish a reserve trust account and shall account for, dispense and disburse the funds generated by the surcharge in the manner prescribed in the conclusions of law herein.

Done at Frankfort, Kentucky, this 12th day of December, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:

Executive Director