

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTHEAST DAVIESS)	
COUNTY WATER DISTRICT FOR APPROVAL TO)	CASE NO. 91-110
CONSTRUCT A PROPOSED WATER STORAGE)	
TANK AND CONNECTOR WATER LINE)	

O R D E R

On April 8, 1991, Southeast Daviess County Water District ("Southeast Daviess") filed an application for a Certificate of Public Convenience and Necessity to construct a \$547,452 waterworks improvement project and for approval of its plan of financing for this project. Project funding includes a \$303,452 loan from Central Bank and Trust in Owensboro, Kentucky, \$144,000 in Commission-approved surcharge funds, and \$100,000 in Southeast Daviess' funds. The loan will be for a four-year period at an interest rate of 75 percent of the New York Chase Manhattan Bank prime rate.

Southeast Daviess proposes to construct two water tanks to add water storage capacity to its distribution system. Southeast Daviess' application included plans and specifications for the proposed water tanks and related appurtenances prepared by Hale, Riney & Gilmore, Inc. of Owensboro, Kentucky ("Engineer"). Southeast Daviess provided documentation that the plans and specifications have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

By Order dated May 15, 1991, Southeast Daviess was directed to furnish the Commission with further information regarding the proposed water tanks. Southeast Daviess' response to the Commission's Order was received on June 17, 1991, and an informal conference was subsequently scheduled for July 2, 1991 to discuss the information submitted.¹ At the conference, Staff raised several questions about the project, which were addressed by South Daviess' manager and the Engineer. At the conclusion of the conference, Staff requested Southeast Daviess to submit a written narrative explaining the purpose of the proposed construction and the problems which it is intended to resolve. The Engineer was also requested to submit a signed and sealed statement that the proposed construction is the best solution to the water district's problem, and will be used and useful when completed. The written narrative and certified statement were filed by Southeast Daviess and the Engineer on July 24, 1991 and July 30, 1991, respectively. After review of the documents submitted, the Commission, on its own motion, scheduled a hearing to consider testimony and other evidence on the proposed construction.

The hearing was held in the Commission's offices on September 25, 1991. Southeast Daviess, which was represented by counsel,

¹ The informal conference included Case No. 91-106, The Application of West Daviess County Water District for Approval to Construct a Proposed Water Storage Tank and Connector Water Line. The conference was consolidated as both cases involve the construction of water tanks, both water districts have the same manager, and both districts retained the same engineer to design and supervise the proposed projects.

presented the testimony of Jan Kuegel, the manager of Southeast Daviess, and James R. Riney, the engineer assigned to the project, both of whom were cross-examined by Staff. Mr. Kuegel described the purpose and history of the construction project, and Southeast Daviess filed exhibits which indicated that Southeast Daviess had been cited by the Commission for lack of water storage capacity in the past, and had been granted a temporary deviation from the Commission's water storage requirements in 1987. Mr. Riney testified about the particulars of the proposed construction project, including the reliability of the hydraulic studies performed, the ability of the tanks to cycle, and the data upon which the proposed construction is based. Mr. Riney stated that the tanks will provide Southeast Daviess with the minimum storage required by Commission Regulation 807 KAR 5:066, Section 5(4); will reduce demand on the district's supplier, whose existing treatment plant capacity is not sufficient to supply recent peak day demands; and will reduce pumping hours at the master pump station. Mr. Riney testified that the low bidder on the project was Kentucky Glass Lined Tanks in the amount of \$407,029.41, and that this bid was the lowest and best. Mr. Riney also stated that his firm would provide resident inspection during the construction of this project, and that he will provide the Commission with a copy of the "as-built" drawings after construction is completed. Mr. Riney further testified that it was his opinion that the proposed construction will be used and useful when completed, and that the proposed water storage tanks are the most practical and

best solution for the current operating conditions of Southeast Daviess.

Having considered all evidence of record and being otherwise sufficiently advised, the Commission finds that public convenience and necessity require that the construction proposed, which consists of two 510,000-gallon water storage tanks, approximately 2,800 lineal feet of 10-inch diameter pipeline, and related appurtenances, be performed and that a Certificate of Public Convenience and Necessity be granted. The low bids for the project totaled \$450,649. The total amount required to fund the project will be approximately \$547,452 after allowances are made for fees and other indirect costs.

The Commission further finds that the financing plan proposed by Southeast Daviess 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, and is reasonably necessary and appropriate for such purpose. It should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Southeast Daviess 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 Commission regulations.

2. Southeast Daviess shall monitor the adequacies 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), Southeast Daviess shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

3. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

4. Southeast Daviess shall obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

5. Southeast Daviess shall furnish duly verified documentation of the total costs 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 shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

6. Southeast Daviess' contract with its Engineer shall require the provision of 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.

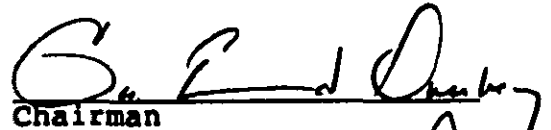
7. Southeast Daviess shall require the Engineer to furnish within 60 days of the date of substantial completion of this construction a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

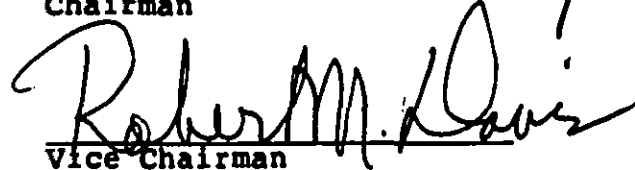
8. Southeast Daviess' financing plan consisting of a loan of \$303,452 from Central Bank and Trust, \$144,000 in Commission-approved surcharge funds, and \$100,000 in Southeast Daviess funds be and it hereby is approved.

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 2nd day of October, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director