

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BEAVER-ELKHORN WATER)
DISTRICT FOR (1) CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY - CONSTRUCTION -)
TO UPGRADE WATER TREATMENT PLANT/WATER)
LINE EXTENSIONS PURSUANT TO KRS 278.020(1);) CASE NO.
(2) AUTHORIZATION OF BORROWING FROM THE) 92-129
COMMONWEALTH OF KENTUCKY, KENTUCKY)
INFRASTRUCTURE AUTHORITY WATER RESOURCES)
LOAN FUND PURSUANT TO KRS 278.300; (3))
AUTHORITY TO INCREASE RATES PURSUANT TO)
807 KAR 5:001, SECTION 10)

O R D E R

By application filed March 30, 1992, Beaver-Elkhorn Water District ("Beaver-Elkhorn") is seeking authorization to construct a \$7,168,091 waterworks improvement project, approval of its plan of financing and for adjustments of its service rates. An Interim Order approving Phase I of the proposed construction was granted on September 29, 1992. Phase II of the proposed construction consists of the expansion of the existing water treatment plant from one million gallons per day ("MGD") to two MGD. Project funding for Phase II includes a Kentucky Infrastructure Authority ("KIA") loan in the amount of \$862,200 and a \$1,400,000 grant from KIA. The loan will be for a 30-year period at an interest rate of 3 percent per annum.

Beaver-Elkhorn also seeks approval of Phase III which consists of line extensions to approximately 1,500 customers at an estimated cost of \$3,386,325. Project funding for Phase III consists of a

\$2,786,325 KIA loan and a \$600,000 KIA grant. Although the plan of financing presented includes amounts to finance Phase III construction, the Commission will defer its decision regarding additional indebtedness related to Phase III until the actual construction plans and specifications have been presented for Commission review.

Plans and specifications for the proposed improvements prepared by Summit Engineering, Inc. of Lexington, Kentucky ("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. Public convenience and necessity require that the construction proposed for Phase II be performed and that a Certificate of Public Convenience and Necessity be granted.

2. Plans and specifications for Phase III of the project are not available for the Commission's review and thus no certificate to construct will be issued for Phase III.

3. The proposed construction consists of the expansion of water treatment plant from one MGD to two MGD, and related appurtenances. Based upon the law bids submitted, and after allowances are made for fees, contingencies, other indirect costs, the total cost of this project is approximately \$2,262,200.

4. Beaver-Elkhorn should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

5. Any deviation from the construction approved should be undertaken only with the prior approval of the Commission.

6. Beaver-Elkhorn should 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 should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

7. Beaver-Elkhorn should 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.

8. Beaver-Elkhorn 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 Beaver-Elkhorn is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and

will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. It should, therefore, be approved.

10. As Phase III of the proposed construction is not approved herein, Beaver-Elkhorn's financing plan is approved for funds related to Phase II only. Phase III financing should be dismissed until such time as the Commission reviews the plans for Phase III construction.

IT IS THEREFORE ORDERED that:

1. Beaver-Elkhorn be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project identified as Phase II 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. Beaver-Elkhorn be and it hereby is denied a Certificate of Public Convenience and Necessity to proceed with the proposed construction project identified as Phase III.

3. Beaver-Elkhorn's financing plan consisting of a \$862,200 loan from KIA and a \$1,400,000 grant from KIA is hereby approved. The financing herein approved shall be used only for the lawful purposes specified in Beaver-Elkhorn's application.

4. Beaver-Elkhorn's financing plan for Phase III is hereby dismissed without prejudice and shall be refiled when seeking approval for Phase III construction.

5. Beaver-Elkhorn shall comply with all matters set out in Findings 4 through 8 as if the same were individually so ordered.

Done at Frankfort, Kentucky, this 10th day of June, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director