

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NORTH NELSON WATER )  
DISTRICT (1) FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY AUTHORIZING )  
CONSTRUCTION OF MAJOR ADDITIONS AND )  
IMPROVEMENTS TO ITS WATER DISTRIBUTION )  
SYSTEM; (2) SEEKING APPROVAL OF REVISED )  
WATER SERVICE RATES AND CHARGES; AND (3) )  
SEEKING APPROVAL OF THE ISSUANCE OF )  
CERTAIN SECURITIES, PURSUANT TO THE )  
PROVISIONS OF KRS 278.020, KRS 278.300, AND )  
807 KAR 5:001 )

CASE NO.  
97-255

O R D E R

North Nelson Water District ("North Nelson") filed its application on June 20, 1997 for a Certificate of Public Convenience and Necessity to construct a \$2,659,250 waterworks improvement project, for approval of financing, and for an adjustment to its retail rates. This project will extend water to 200 additional customers and make water distribution system improvements as well as provide additional water storage capacity. Funding for the proposed project includes a \$2,500,000 revenue bond issue and \$159,250 in customer contributions.

North Nelson now moves for an Interim Order which grants a Certificate of Public Convenience and Necessity for the proposed construction and approval of its plan of financing.

This Order will address the construction portion of the application. By subsequent Order in this case, the Commission will address the financing as well as the rates necessary to provide the utility with an opportunity to recover its reasonable operating costs, service its debt, and provide a reasonable surplus for equity growth.

After review of the evidence of the record and being otherwise sufficiently advised, the Commission finds that:

1. North Nelson proposes to construct a 500,000-gallon water storage tank and approximately 27 miles of water main extensions located in Bullitt and Nelson counties, Kentucky.
2. Drawings and specifications for the proposed construction were prepared by Kenvirons, Inc. ("Engineer") and have been approved by the Division of Water, Kentucky Natural Resources and Environmental Protection Cabinet.
3. The Engineer has provided information which indicates that reliable and adequate service can be provided in the proposed project area. However this information also indicates that low pressure may be experienced in areas of the existing distribution system. As a result of this information, North Nelson should monitor the low pressure areas for customer service problems.
4. With the monitoring of customer service as outlined in Finding 3, public convenience and necessity require that the construction identified in North Nelson's application be performed and that a Certificate of Public Convenience and Necessity be granted.
5. The financing plan prepared by North Nelson consists of a mixture of contributions in aid of construction, promissory notes from customers, and a revenue bond

issue. Because of the complexity of the financing plan, additional review by the Commission is necessary. North Nelson's request for interim approval of its plan of financing should, therefore, be denied.

IT IS THEREFORE ORDERED that:

1. North Nelson's motion for an Interim Order to proceed with construction is granted.

2. North Nelson's motion for an Interim Order approving its proposed plan of financing is denied.

3. North Nelson 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, provided that North Nelson monitors customer service as outlined in Finding 3.

4. North Nelson 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 5(1), North Nelson shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

5. North Nelson shall only install fire hydrants in those instances where the installation complies with the requirements of 807 KAR 5:066, Section 10(2)(b).

6. North Nelson shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

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

8. North Nelson shall furnish 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. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

9. North Nelson shall require construction to be inspected 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.

10. North Nelson shall furnish, within 60 days of the date of substantial completion of this construction, a copy of "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

11. The financing plan proposed by North Nelson is continued generally.

12. North Nelson's application for adjustments to retail rates is continued generally.

13. Nothing contained herein shall be construed as constituting approval of any other portion of North Nelson's application.

Done at Frankfort, Kentucky, this 10th day of July, 1997.

PUBLIC SERVICE COMMISSION

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Chairman

  
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Vice Chairman

  
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Commissioner

ATTEST:

  
\_\_\_\_\_  
Executive Director