

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SPEARS WATER COMPANY,)
INC. FOR APPROVAL OF CONSTRUCTION,) CASE NO. 98-214
FINANCING, AND ADJUSTMENT OF RATES)

O R D E R

By application filed June 25, 1998, Spears Water Company, Inc. (Spears) is seeking authorization to construct a \$240,904 waterworks improvement project, approval of financing and authority to adjust its rates to produce additional annual revenues of \$108,945. The proposed financing consisted of a 10-year, 7.95 percent note with the National City Bank, for the principal amount of \$600,000. Spears proposed to apply these funds toward the financing of the proposed construction and for the refinancing of existing short-term debt.

Seldon Little, a customer of Spears, requested full intervention in this proceeding, and the Commission granted his request by Order dated December 22, 1998.

The proposed project includes the construction of approximately 10,175 linear feet of 6 inch Class 200 PVC looped water main and related appurtenances along Beaumont Road connecting to an existing 3 inch water main on Vince Road and to an existing 4 inch water main on Smith Lane. This project will provide service to a potential of 17 new

customers and will improve the hydraulics in this area. Plans and specifications for the proposed improvements prepared by Eagle Engineering of Lexington, Kentucky, have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

Commission Staff conducted a limited financial review of Spears operations for the test period, calendar year 1997. Based upon this review, Commission Staff issued a report on January 28, 1999 recommending an increase in annual operating revenues of \$83,967, or 10.8 percent.

The Commission issued an Order dated January 28, 1999 which set a schedule for any interested party to file comments on the Staff Report or to request a public hearing or informal conference no later than February 8, 1999, or this case would stand submitted to the Commission for decision. On February 8, 1999, Seldon Little, intervenor, filed a request for an informal conference which was granted. Mr. Little subsequently withdrew his request and the informal conference was cancelled. There being no further request this matter now stands submitted to the Commission for decision.

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 be performed and that a Certificate of Public Convenience and Necessity be granted.
2. The recommendations and findings contained in the Staff Report are supported by the evidence of record, are reasonable, and are hereby adopted as the findings of the Commission in this proceeding and are incorporated by reference as if fully set out herein.

3. The proposed construction consists of approximately 10,175 linear feet of 6 inch Class 200 PVC looped water main and related appurtenances along Beaumont Road connecting to an existing 3 inch water main on Vince Road and to an existing 4 inch water main on Smith Lane. The total construction cost for this project is approximately \$240,904.

4. Spears 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. Spears 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. Spears 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. Spears 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 consisting of a \$600,000 note from the National City Bank is approved.

10. The rates proposed by Spears should be denied.

11. The rates set forth in Appendix A are the fair, just, and reasonable rates for Spears, will produce gross annual revenues of \$860,608, and will allow Spears sufficient revenues to meet its operating expenses.

IT IS THEREFORE ORDERED that:

1. Spears be and is hereby granted a Certificate of Public Convenience and Necessity for the proposed construction consisting of approximately 10,175 linear feet of 6 inch Class 200 PVC looped water main and related appurtenances along Beaumont Road connecting to an existing 3 inch water main on Vince Road and to an existing 4 inch water main on Smith Lane. The total construction cost for this project is approximately \$240,904.

2. Spears shall comply with all matters set out in Findings 4 through 8 as if the same were individually so ordered.

3. Spears financing plan consisting of a \$600,000 note from the National City Bank is hereby approved. The financing herein approved shall be used only for the lawful purposes specified in Spears application.

4. Three years from the effective date of this Order Spears shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate

that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

5. The rates proposed by Spears in its application are denied.

6. The rates contained in Appendix A are approved for service rendered by Spears on and after the date of this Order.

7. Within 30 days of the date of this Order, Spears shall file with the Commission its revised tariff setting out the rates approved herein.

Done at Frankfort, Kentucky, this 10th day of March, 1999.

By the Commission

ATTEST:

Executive Director

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE

COMMISSION IN CASE NO. 98-214 DATED MARCH 10, 1999

The following rates and charges are prescribed for the customers in the area served by Spears Water Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Monthly Charge:

First 2,000 Gallons	\$12.52	Minimum Bill
Next 10,000 Gallons	4.13	Per 1,000 Gallons
Over 12,000 Gallons	3.28	Per 1,000 Gallons