

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE COUNTY OF BOONE,)	
KENTUCKY TO THE KENTUCKY PUBLIC SERVICE)	
COMMISSION REQUESTING THAT THEY GRANT)	
A CERTIFICATE OF CONVENIENCE AND)	
NECESSITY FOR THE CONSTRUCTION OF A)	CASE NO.
PUBLIC WATER DISTRIBUTION SYSTEM IN AN)	2002-00085
UNSERVED AREA OF SOUTHERN BOONE)	
COUNTY)	

INTERIM ORDER

On March 15, 2002, the County of Boone, Kentucky (County of Boone) submitted an application for (1) a Certificate of Public Convenience and Necessity (CPCN) to construct a water distribution system in an unserved area of Boone County (Sub District A) at a cost of \$8,425,000, (2) approval of its plan of financing for this project, and (3) approval of the rates and charges for the customers to be serviced by these water line extensions. On June 18, 2002, County of Boone filed a letter with the Commission requesting that its application be amended. It stated that bids had been received and that the cost of the project would be substantially less than originally estimated. It requested that its application be amended to reflect that the cost of the project would be \$4,275,000 and to reflect that it no longer planned to assess the originally proposed initial customer capital cost of up to \$2,000. On July 2, 2002, County of Boone filed with the Commission a revised preliminary plan of financing that reflects the total financing will be \$5,320,000.

County of Boone plans to issue bonds or bond anticipation notes in the amount of \$5,320,000 at an average interest rate of 4.5 percent to fund the proposed project.

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (AG) was granted full intervention in this proceeding on May 14, 2002.

To determine the reasonableness of County of Boone s request, the Commission suspended the proposed rates for 5 months from their effective date pursuant to KRS 278.190(2) up to and including September 30, 2002. On May 29, 2002, County of Boone filed a motion with the Commission requesting that the Commission grant a CPCN authorizing the construction of the project and grant approval of the financing of the project by July 1, 2002. In support of its motion, County of Boone states that it would like to take advantage of this construction season and that, since no customers will be served by the project until at least December 1, 2002, granting the CPCN and financing will not affect the Commission s decision with respect to the reasonableness of the rates proposed. The AG filed a response to County of Boone s motion on May 30, 2002, and stated that he takes no position on the motion. This Interim Order addresses the construction and financing proposals of the Applicant in order to allow County of Boone to take advantage of the construction season. A final Order regarding the proposed rates to be charged by County of Boone will be entered by the Commission after a timely and thorough review of the remaining record in this matter.

BACKGROUND

County of Boone proposes to construct 22 miles of 12-inch and 8-inch ductile iron class 50 water transmission mains and related appurtenances in an unincorporated area of

Boone County, Kentucky. County of Boone states that portions of Boone County are presently served by the city of Florence, Kentucky, the Boone County Water District (BCWD), and the Bullock Pen Water District, but states that it is not currently economically feasible to extend a public water supply to the project area without a subsidy by the County of Boone. County of Boone further states that although the area to be served by the project is within the service area of the BCWD, BCWD does not intend to serve the proposed project area due to the detrimental impact this project could have on its financial condition.

County of Boone proposes to construct the project and then connect the project to the BCWD s water distribution system. It proposes to enter an agreement with BCWD wherein the parties agree that BCWD will operate and maintain the project and that upon payment in full of the bonds, County of Boone will immediately transfer all of its right, title, and interest in and to the project to BCWD.

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

1. County of Boone proposes to construct: Contract 1A 2,952 linear feet of 12-inch and 47,754 linear feet of 8-inch ductile iron class 50 water transmission mains and related appurtenances; Contract 1C 23,865 linear feet of 12-inch and 30,353 linear feet of 8-inch ductile iron class 50 water transmission mains and related appurtenances; Contract 1D 9,511 linear feet of 12-inch and 1,877 linear feet of 8-inch ductile iron class 50 water transmission mains and related appurtenances.

2. Plans and specifications for the proposed improvements prepared by PDR Engineers, Inc. of Sharonville, Ohio have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

3. Public convenience and necessity require that the construction identified in County of Boone s application be performed and that a CPCN be granted.

4. The financing plan proposed by County of Boone is for lawful objects within the corporate purpose of its utility operation, 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.

IT IS THEREFORE ORDERED that:

1. County of Boone is granted a CPCN to proceed with the proposed construction project as set forth in the plans and specifications of record herein.

2. County of Boone shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

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

4. County of Boone 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.

5. County of Boone shall require construction to be inspected under the general supervision of a licensed 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.

6. Within 60 days of the substantial completion of the construction certificated herein, County of Boone shall file a copy of the as-built drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

7. County of Boone shall monitor the adequacies of the 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), County of Boone shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

8. County of Boone s proposed plan of financing is approved.

9. County of Boone shall notify the Commission 1 week prior to the actual start of construction and at the 50 percent completion point.

10. Nothing contained herein shall be construed as constituting approval of any other portion of the County of Boone s application.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 9th day of July, 2002.

By the Commission

ATTEST:

Deputy W^m H. Fowler
Executive Director