

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BRACKEN COUNTY)	
WATER DISTRICT FOR (1) A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	CASE NO.
CONSTRUCT; (2) FINANCE; AND (3) AUTHORITY)	2002-00395
TO ADJUST RATES FOR A WATER MAIN)	
IMPROVEMENTS PROJECT)	

INTERIM ORDER

On October 31, 2002, Bracken County Water District ("Bracken District") applied for a Certificate of Public Convenience and Necessity to construct, finance, and adjust rates for a water main improvement project for the total amount of \$928,000. Bracken District proposes to adjust its rates for service rendered on or after January 1, 2003.

The project consists of two contracts. Contract III, Berlin-Lenoxburg Water Project, consists of the construction of approximately 29,250 linear feet of 8-inch, 3,450 linear feet of 6-inch, and 6,900 linear feet of 4-inch water lines to replace an existing small diameter water line. Contract IV, Berlin-Lenoxburg Water Project, 250,000 Gallon Water Storage Tank, consists of the construction of a 250,000 gallon elevated water storage tank and appurtenances. Bracken District is funding this proposed project through a Kentucky Infrastructure Authority (KIA) Fund F, Federally Assisted Drinking Water Revolving Fund Loan, in the total amount of \$928,000 to be repaid over a period of 20 years at an interest rate of 3 percent per annum.

As part of its application, Bracken District moves for a deviation from the provision of Administrative Regulation 807 KAR 5:001, Section 6, requiring that, [w]henever in these rules it is provided that a financial exhibit shall be annexed to the application, the said exhibit shall cover operations for a twelve (12) month period, said period ending not more than ninety (90) days prior to the date the application is filed. However, Section 14 of that regulation permits a deviation upon the showing of good cause.

In support of its request, Bracken District states that there has been no change that is material in nature in the financial condition or operation of Bracken District since December 31, 2001. In its application, Bracken District uses the financial data for the 12-month period ending December 31, 2001, the most recent published financial data available. Having considered Bracken District's requested deviation, the Commission has determined that good cause for granting the deviation has been presented, and that there is sufficient financial information in the record for it to render a decision regarding the proposed financing.

Bracken District has requested that Commission approval of the proposed construction and financing be granted as expeditiously as possible so that construction may begin in a timely manner before bids expire on December 4, 2002. By subsequent Order in this case, the Commission will address the rates necessary to provide the utility with an opportunity to recover its reasonable operating costs and to service its debt. After review of the evidence of the record and being otherwise sufficiently advised, the Commission finds that:

1. Bracken District proposes to construct approximately 29,250 linear feet of 8-inch, 3,450 linear feet of 6-inch, and 6,900 linear feet of 4-inch water lines, and a 250,000 gallon elevated water storage tank and appurtenances.

2. Plans and specifications for the proposed improvements (Contract III and Contract IV) were prepared by Haworth, Meyer & Boleyn Professional Engineers, Inc. of Frankfort, Kentucky, and have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet (DOW).

3. Public convenience and necessity require the construction set forth in Bracken District s application.

4. Due to low pressures within Bracken District s distribution system, DOW has imposed a ban on all new connections to Bracken District s distribution system.

5. The low pressure areas result primarily from small diameter water mains that are incapable of adequately supporting demands from Bracken District s Western School Water Hauling Station and existing customers.

6. The proposed water mains and additional water storage facility will replace small diameter water mains, eliminate existing areas of low pressure and permit the lifting of DOW s ban on new customer connections.

7. The proposed facilities will enable Bracken District to provide water service to six households that currently receive their drinking water through cisterns.

8. The proposed facilities will not compete with facilities of other water utilities in Bracken County, Kentucky.

9. The proposed facilities will not result in a wasteful duplication of facilities.

10. The financing plan proposed by Bracken District 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, is reasonably necessary and appropriate for such purpose, and should be approved.

IT IS THEREFORE ORDERED that:

1. Bracken District is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the plans and specifications of record herein.

2. Bracken District is authorized to borrow \$928,000 from KIA to be repaid over a 20-year period at a rate of interest not to exceed 3 percent per annum.

3. Bracken District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

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

5. Bracken District 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.

6. Bracken District shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky licensure 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. Bracken District 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 within 60 days of the substantial completion of the construction certificated herein.

8. Nothing contained herein shall be construed as constituting approval of any other portion of Bracken District's application.

9. The proceeds from the \$928,000 loan shall be used only for the lawful purposes specified in Bracken District's application.

10. The proposed rates are hereby suspended for 5 months from January 1, 2003 up to and including May 31, 2003.

11. Bracken District is granted a deviation from the requirements set forth in Administrative Regulation 807 KAR 5:001, Section 6.

Nothing contained herein shall be deemed a warranty or finding of value of the financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 3rd day of December, 2002.

By the Commission

ATTEST:

W. H. Fowler
Deputy Executive Director