

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF TRI-VILLAGE WATER)
DISTRICT: (1) FOR A CERTIFICATE)
THAT PUBLIC CONVENIENCE AND NECES-)
SITY REQUIRE THE CONSTRUCTION OF)
EXTENDED AND IMPROVED WATER)
FACILITIES; (2) SEEKING APPROVAL OF) CASE NO. 9381
THE ISSUANCE OF CERTAIN SECURITIES;)
AND (3) FOR AN ORDER AUTHORIZING)
ADJUSTMENT OF WATER SERVICE RATES)
AND CHARGES)

INTERIM ORDER

The Tri-Village Water District ("Tri-Village") filed an application July 9, 1985, for approval of adjustments to its water service rates, authorization to construct a \$318,000 waterworks improvement project, and approval of its financing for the proposed project. The project financing includes a \$318,000 loan from the Farmers Home Administration ("FmHA") at 10 percent annual interest. Tri-Village will issue waterworks revenue bonds as security for the loan. The repayment period for the loan will be 40 years. The proposed construction should improve water service to the Ky. 22 area as well as provide necessary repairs to improve and maintain adequate service system-wide. On July 17, 1985, Parrott, Ely and Hurt, Consulting Engineers, of Lexington, Kentucky, ("Engineer") on behalf of Tri-Village,

requested emergency consideration from the Commission to construct Phase I of the proposed improvements. The Phase I improvements include parallel waterline construction between the City of Owenton and the Owen County schools, which presently do not have adequate water pressure. The Owen County school system has been notified by the Three Rivers District Health Department that unless temporary and/or permanent measures are taken to improve the water pressure prior to August 15, 1985, (scheduled school opening) schools will not be allowed to open until the water pressure problem is corrected.

Phase I construction is to be interimly financed by the Owen County School Board with the understanding that reimbursement will be by the FMHA through Tri-Village after all project approvals are obtained and the loan closed.

The construction plans and specifications for Phase I were prepared by the Engineer and have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

This Interim Order will address the Phase I construction and interim financing portion of the application. A hearing on the proposed rates, financing and other construction will be held at a future date and an Order addressing those issues will be entered subsequent to the hearing. In the final Order in this case, the Commission will set rates necessary to provide Tri-Village with an opportunity to

recover its reasonable operating costs, service its debt and provide a reasonable surplus for equity growth.

FINDINGS AND ORDERS

The Commission, after consideration of the application and evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in Phase I be performed and that a certificate of public convenience and necessity be granted.

2. The proposed construction in Phase I includes a master meter, about 7400 feet of 8-inch water main and miscellaneous appurtenances.

3. The low bids received for the proposed Phase I construction totaled \$64,177 which will require about \$103,477 in project funding after allowances are made for fees, contingencies, and other indirect costs.

4. Any deviations from the construction herein approved which could adversely affect service to any customer should be subject to the prior approval of this Commission.

5. Tri-Village should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

6. Tri-Village should file with the Commission duly verified documentation which shows the total costs of construction including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that

construction is substantially completed. The construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

7. Tri-Village's contract with its Engineer should require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. The supervision and inspection should insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Tri-Village should require the Engineer to furnish a copy of the record plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

9. Tri-Village should file with the Commission a copy of all contractual agreements for the provision of services or the purchase of services which are subject to the approval of this Commission.

10. The interim financing secured by Tri-Village for this project will be needed to pay for the work herein approved. Tri-Village's financing plan of Phase I should, therefore, be approved.

IT IS THEREFORE ORDERED that Tri-Village be and it hereby is granted a certificate of public convenience and necessity to proceed with the waterworks construction projects described by the plans and specifications of record herein approved.

IT IS FURTHER ORDERED that Tri-Village shall comply with Findings number 4 through 10 herein the same as if each of these findings were also ordered.

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

Done at Frankfort, Kentucky, this 9th day of August, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Demanoff
Chairman

Ralph H. Lytle
Vice Chairman

did not participate
Commissioner

ATTEST:

Secretary