

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTHEAST DAVIESS )  
COUNTY WATER DISTRICT FOR APPROVAL OF )  
A RATE SURCHARGE AND A CERTIFICATE OF ) CASE NO. 2004-00495  
PUBLIC CONVENIENCE AND NECESSITY FOR )  
EXPANSION OF EXISTING SYSTEM FACILITIES )

ORDER

On February 9, 2005, Southeast Daviess County Water District (“Southeast Daviess”) applied for a Certificate of Public Convenience and Necessity to construct a \$525,791 waterworks improvement project and approval of a proposed rate surcharge of \$0.26 per 1,000 gallons. Southeast Daviess requests the surcharge pursuant to KRS 74.395, which allows water districts to finance all or part of a system expansion by assessing a temporary surcharge. Pursuant to KRS 74.395(2), the Commission scheduled a public hearing on the proposed surcharge for July 13, 2005, but cancelled the hearing when, after publication and notice of such public hearing, no interested party filed written notice of intent to attend. The matter now stands submitted to the Commission for a decision.

The proposed project involves the replacement of a booster pump station, replacement of 400 feet of 6-inch water line at a creek crossing, and construction of approximately 6,400 feet of 10-inch water line and related appurtenances to provide

additional system capacity to supply the continued growth anticipated for the Habit Hill and Masonville areas.

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

1. Southeast Daviess proposes to replace a booster pump station and 400 feet of 6-inch water line at a creek crossing and construct approximately 6,400 feet of 10-inch water line and related appurtenances to provide additional system capacity to supply the continued growth anticipated for the Habit Hill and Masonville areas.

2. Plans and specifications for the proposed improvements have been prepared by HRG, PLLC Surveying and Engineering of Owensboro, Kentucky, and have been approved by the Division of Water of the Environmental and Public Protection Cabinet.

3. The proposed project will not adversely affect the quality of service provided to Southeast Daviess' customers or its ability to provide adequate water at adequate pressure levels to present or projected future customers.

4. The proposed project will not compete or conflict with the facilities of other jurisdictional utilities operating in the same area.

5. The proposed project will not result in the wasteful duplication of utility facilities.

6. Public convenience and necessity require that the proposed construction be performed and that a Certificate of Public Convenience and Necessity be granted.

7. Southeast Daviess proposes to finance the project through a Kentucky Infrastructure Authority/Coal Development Fund grant of \$250,000; proceeds from the

proposed surcharge of \$273,996; interest accrued on the reserve trust account of \$1,500; and internal funds of \$295.

IT IS THEREFORE ORDERED that:

1. Southeast Daviess 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. Southeast Daviess' proposed plan for the construction project is approved.

3. Southeast Daviess shall be authorized to assess a surcharge of \$0.26 per 1,000 gallons to all customers for a period not to exceed 24 months from the date of this Order, or until \$273,996 has been collected, whichever occurs first.

4. Within 20 days of the date of this Order, Southeast Daviess shall file with the Commission revised tariff sheets that contain the proposed surcharge and the signature of an officer authorized to issue tariffs.

5. Southeast Daviess shall list the surcharge as a separate line item on each customer's bill. If construction of the proposed project has not commenced within 5 years of the date of this Order, Southeast Daviess shall refund all surcharge proceeds together with all interest and earnings.

6. Southeast Daviess shall set the proceeds of the surcharge apart in a separate interest bearing reserve trust account guaranteed by the United States government and, together with any interest earned therein, shall be sued solely for the project approved herein.

7. Southeast Daviess shall maintain its records in such a manner as will enable it, or the Commission or its customers, to determine the amounts to be refunded and to whom they are due in the event that surcharge amounts shall be refunded.

8. Southeast Daviess shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

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

10. Southeast Daviess 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.

11. Southeast Daviess shall require the 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.

12. Southeast Daviess 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.

13. Beginning in 2006 for the period from the date of this Order until December 31, 2005, and for each calendar year thereafter in which the surcharge is effective, Southeast Daviess shall submit with the annual financial and statistical report required by Administrative Regulation 807 KAR 5:006, Section 3(1), a written report containing:

- a. The amount of surcharge proceeds collected during the calendar year.
- b. The total amount of surcharge proceeds collected.
- c. The amount disbursed from the reserve trust account during the calendar year.
- d. The total amount disbursed from the reserve trust account since the inception of the surcharge.
- e. A description of each expenditure made on the expansion project for the calendar year and its cost.

14. At the end of the 24-month period or the collection of \$273,996, whichever occurs first, Southeast Daviess shall revise its tariff to remove the surcharge.

Done at Frankfort, Kentucky, this 27<sup>th</sup> day of July, 2005.

By the Commission

ATTEST:



Executive Director