

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE WESTERN PULASKI)
COUNTY WATER DISTRICT FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY TO) CASE NO. 2012-00582
CONSTRUCT AND FINANCE PURSUANT TO THE)
PROVISIONS OF KRS 278.023)

ORDER

Western Pulaski County Water District (“Western Pulaski”) has applied to the Commission for a Certificate of Public Convenience and Necessity for the first phase of a two-phase waterworks construction project and for approval of its financing plan.

Western Pulaski proposes to construct a waterworks construction project, consisting of two phases, to extend water service to unserved persons and to improve system reliability in the southeastern portion of Western Pulaski’s service area. The total cost of this project, including legal, engineering inspection, and engineering design costs is \$1,922,000.

The first phase of the project involves the construction of approximately 30,315 linear feet of 3-inch polyvinyl chloride water line along the areas of Browns Ridge Road, Finley Owens Road, Hendricks Road, Shoreline Drive, and Hideaway Drive in western Pulaski County, Kentucky. It will provide service to approximately 43 new customers and will improve the quality of service to existing customers on Shoreline Drive and Hideaway Drive. Total cost of this phase is \$452,000.

The second phase of the project involves the construction of two new pumping stations and the construction of a minimum of 6,500 feet of 10-inch water transmission

main. This construction is intended to improve water pressure and water volume in Western Pulaski's southeastern pressure zone. Total estimated cost of the second phase is \$1,470,000. Western Pulaski has not yet issued a request for bids on the second phase.

Western Pulaski proposes to finance the construction of this project through the sale of \$1,400,000 of Waterworks Revenue Bonds to Rural Development ("RD"), an agency of the United States Department of Agriculture, and a grant of \$522,000 from RD. RD will not authorize disbursement of any funds to Western Pulaski for the second phase of the project until this Commission has issued a Certificate of Public Convenience and Necessity for that phase.¹

Western Pulaski has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.180, KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Western Pulaski, or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water district's proposed facilities will result in the wasteful

¹ App. ¶ 5. See also 7 U.S.C. § 1780.15; Letter from Thomas G. Fern, State Director, Rural Development, to Don Calder, Chairman, Western Pulaski County Water District (Dec. 20, 2011) at ¶ 17.

duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable.

Western Pulaski's application met the minimum filing requirements of KRS 278.023 on January 25, 2013. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

IT IS THEREFORE ORDERED that:

1. Western Pulaski is granted a Certificate of Public Convenience and Necessity for Phase I of the proposed construction project.
2. Western Pulaski's proposed plan of financing is accepted.
3. Western Pulaski is authorized to issue Waterworks Revenue Bonds in an amount not to exceed \$1,400,000 to RD at an interest rate not exceeding 2.25 percent per annum.
4. The proceeds from the proposed issuance of Waterworks Revenue Bonds shall be used only for the first phase of the project as specified in Western Pulaski's application, and none of proceeds shall be used for the second phase until Western Pulaski obtains a Certificate of Public Convenience and Necessity for that phase of the project.
5. Western Pulaski shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
6. Western Pulaski shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction of the first phase of the project has

been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

7. Western Pulaski 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.

8. Western Pulaski shall notify the Commission in writing one week prior to the actual start of construction of the first phase of the project and at the 50 percent completion point.

9. Within 30 days of the date of the issuance of the proposed Waterworks Revenue Bonds, Western Pulaski shall file with the Commission a copy of the resolution authorizing such issuance and any documents referenced in that resolution that have not previously been filed with the Commission.

10. Any documents filed in the future pursuant to ordering paragraphs 6, 8, and 9 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

11. The Executive Director shall serve a copy of this Order upon the State Director of Rural Development.

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

By the Commission

ENTERED
FEB 11 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST

Executive Director

Case No. 2012-00582

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