

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE BARKLEY LAKE WATER)
DISTRICT FOR A CERTIFICATE OF PUBLIC) CASE NO.
CONVENIENCE AND NECESSITY TO CONSTRUCT,) 2014-00251
FINANCE AND INCREASE RATES PURSUANT TO)
KRS 278.023)

ORDER

Barkley Lake Water District (“Barkley Lake”) has applied to the Commission for a Certificate of Public Convenience and Necessity (“CPCN”) to construct the Cerulean Area Water System Improvements Project, for approval of its plan to finance the proposed project, and for an adjustment of rates. Barkley Lake’s application met the minimum filing requirements of KRS 278.023 on July 11, 2014.

Barkley Lake proposes the construction and installation of a 300,000-gallon water storage tank and related appurtenances to be located on Buffalo Knob, south of Kentucky 128;¹ the installation of approximately 1,260 linear feet of six-inch water transmission main on Main Street; approximately 4,300 linear feet of six-inch and 100 linear feet of three-inch water main on Kentucky 624; and approximately 1,500 linear feet of six-inch water main to the proposed water storage tank and appurtenances.²

¹ Application, Final Engineering Report.

² *Id.*

The project also includes the construction and installation of a booster pump station north of Kentucky 124³ and related appurtenances. No additional customers will be added as a result of this project. The proposed improvement project, which replaces similar aging and undersized facilities, will improve the quality and reliability of water service to Barkley Lake's existing customers in the Cerulean area. The total cost of the project, including legal, administrative, development, and engineering costs, plus interest and contingencies, is \$1,100,000.⁴

Barkley Lake proposes to finance the proposed construction with the proceeds of the issuance and sale of \$825,000 of its Water System Revenue Bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, and an RD grant in the amount of \$275,000. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 2.75 percent per annum. Under the proposed rates, the monthly water bill of a residential customer who uses 5,000 gallons will increase from \$39.98 to \$41.31, or approximately 3.33 percent.

Barkley Lake 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 Barkley Lake, or to defer

³ *Id.*

⁴ *Id.*

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 duplication of facilities or excessive investment or that its proposed rates are unfair, unjust, or unreasonable. 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. Barkley Lake is granted a CPCN for the proposed construction project.
2. Barkley Lake's proposed plan of financing is approved.
3. Barkley Lake is authorized to issue \$825,000 of its Water System Revenue Bonds maturing over 40 years at an interest rate not exceeding 2.75 percent per annum.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Barkley Lake's application.
5. Barkley Lake shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
6. Notwithstanding ordering paragraph 5, if surplus funds remain after the approved construction has been completed, Barkley Lake may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction will not result in a change in Barkley Lake's rates for service. Barkley Lake shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Barkley Lake shall file with the Commission documentation of the total costs of this project, including the cost of construction and all other capitalized costs, (e.g., engineering, legal, and administrative) within 60 days of the date that construction is substantially completed. Construction cost shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

8. Barkley Lake shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

9. Barkley Lake 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.

10. Barkley Lake shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

11. The rates set forth in the Appendix to this Order are approved for service that Barkley Lake renders on and after the date of this Order.

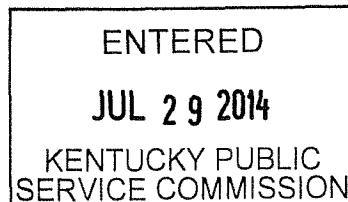
12. Within 20 days of the date of this Order, Barkley Lake shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates set forth in the Appendix to this Order.

13. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 8, and 10 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

14. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by the Order upon Barkley Lake's showing of good cause for such extension.

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



ATTEST



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00251 DATED **JUL 29 2014**

The following rates and charges are prescribed for the customers in the area served by Barkley Lake Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8-Inch Meter

First	2,000	Gallons	\$20.55	Minimum Bill
Next	98,000	Gallons	6.92	per 1,000 Gallons
Next	400,000	Gallons	5.63	per 1,000 Gallons
Over	500,000	Gallons	4.11	per 1,000 Gallons

1-Inch Meter

First	4,000	Gallons	\$34.39	Minimum Bill
Next	96,000	Gallons	6.92	per 1,000 Gallons
Next	400,000	Gallons	5.63	per 1,000 Gallons
Over	500,000	Gallons	4.11	per 1,000 Gallons

1 1/2-Inch Meter

First	8,000	Gallons	\$62.09	Minimum Bill
Next	92,000	Gallons	6.92	per 1,000 Gallons
Next	400,000	Gallons	5.63	per 1,000 Gallons
Over	500,000	Gallons	4.11	per 1,000 Gallons

2-Inch Meter

First	15,000	Gallons	\$110.56	Minimum Bill
Next	85,000	Gallons	6.92	per 1,000 Gallons
Next	400,000	Gallons	5.63	per 1,000 Gallons
Over	500,000	Gallons	4.11	per 1,000 Gallons

4-Inch Meter

First	25,000	Gallons	\$179.81	Minimum Bill
Next	75,000	Gallons	6.92	per 1,000 Gallons
Next	400,000	Gallons	5.63	per 1,000 Gallons
Over	500,000	Gallons	4.11	per 1,000 Gallons

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202