

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FLEMING COUNTY WATER	)	
ASSOCIATION FOR A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY, APPROVAL OF	)	CASE NO.
THE PROPOSED PLAN OF FINANCING AND AN	)	2014-00265
ORDER APPROVING THE ADJUSTMENT OF	)	
RATES	)	

ORDER

Fleming County Water Association, Inc. ("Fleming Association") has applied to the Commission for a Certificate of Public Convenience and Necessity ("CPCN") to construct a waterworks project known as the 2012 Water Project, for approval of its plan to finance the proposed project, and for an adjustment of rates. Fleming Association's application met the minimum filing requirements of KRS 278.023 on August 11, 2014.

Fleming Association proposes the construction and installation of approximately 43,600 linear feet of eight-inch polyvinyl chloride ("PVC") water main and approximately 2,500 linear feet of four-inch PVC water main and related appurtenances. This project replaces existing aging asbestos cement water mains along Kentucky 32 Business, Kentucky 559 (Fox Spring Road), Kentucky 32, Kentucky 111 and McCann Road (Secret Crossing). No additional customers will be added as a result of this construction. The proposed improvement project will improve the quality and reliability of water service to Fleming Association's existing customers and will provide additional

capacity for future growth.<sup>1</sup> The total cost of the project, including legal, administrative, development, and engineering costs, plus interest and contingencies is \$1,276,000.<sup>2</sup>

Fleming Association proposes to finance the total cost of the proposed construction through the issuance of a \$957,000 promissory note to Rural Development (“RD”), an agency of the U.S. Department of Agriculture, and an RD grant in the amount of \$319,000. The proposed \$957,000 note 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 \$36.80 to \$38.55, or approximately 4.75 percent.

Fleming Association 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 Fleming Association, 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 duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable. The Commission, therefore, is not able to review this

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<sup>1</sup> Application, Preliminary Engineering Report

<sup>2</sup> Application, Exhibit 3, Final Engineering Report.

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. Fleming Association is granted a CPCN for the proposed construction project.
2. Fleming Association's proposed plan of financing is approved.
3. Fleming Association is authorized to issue to RD a promissory note in the amount of \$957,000 which matures over a 40-year period at an interest rate not exceeding 2.75 percent per annum.
4. The proceeds from the proposed promissory note shall be used only for the purposes specified in Fleming Association's application.
5. Fleming Association 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, Fleming Association 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 Fleming Association's rates for service. Fleming Association shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
7. Fleming Association 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. Fleming Association 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. Fleming Association 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. Fleming Association 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 Fleming Association renders on and after the date of this Order.

12. Within 20 days of the date of this Order, Fleming Association 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.

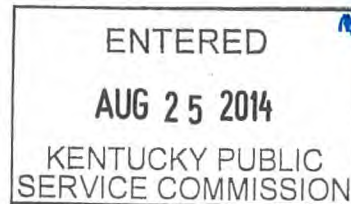
13. Within 30 days of the date of the issuance of the promissory note to RD, Fleming Association shall file with the Commission a copy of such note and any documents referenced in that note that have not previously been filed with the Commission.

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

15. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by the Order upon Fleming Association'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:

  
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Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2014-00265 DATED **AUG 25 2014**

The following rates and charges are prescribed for the customers in the area served by Fleming County Water Association. 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 Rates

First	2,000	\$ 18.30 Minimum Bill
Next	8,000	6.75 per 1,000 Gallons
Next	40,000	5.30 per 1,000 Gallons
Over	50,000	4.10 per 1,000 Gallons

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