

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE CANNONSBURG WATER	)	
DISTRICT FOR A CERTIFICATE OF PUBLIC	)	CASE NO.
CONVENIENCE AND NECESSITY TO CONSTRUCT,	)	2015-00181
FINANCE AND INCREASE RATES PURSUANT TO	)	
KRS 278.023	)	

ORDER

Cannonsburg Water District (“Cannonsburg”) has applied to the Commission for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a waterworks improvement project, for approval of its plan to finance the proposed project, and for an increase of water rates. Cannonsburg’s application met the minimum filing requirements of KRS 278.023 on June 11, 2015.

The proposed project consists of three contracts:

Contract 1 covers the installation of approximately 2,200 linear feet of 8-inch polyvinyl chloride water line to replace an existing 6-inch water main on McGuire Drive; the installation of approximately 225 linear feet of 10-inch high-density polyethylene (“HDPE”) water line to replace an existing 8-inch stream-crossing water line on KY 5; the installation of approximately 200 linear feet of 4-inch HDPE water line to replace an existing 3-inch stream-crossing water line on South Big Run Road; the installation of two new hydro-pneumatic booster pump stations on Dog Fork Road and Meadewood Heights Road; and the improvements to the existing Tarpin Ridge and Midland Trail pump stations.

Contract 2 consists of the cleaning and repainting of the existing Princess Hill and Tarpin Ridge water storage tanks.

Contract 3 addresses the replacement of 2,800 existing 5/8-inch x 3/4-inch and 1-inch water meters with new Sensus iPERL meters<sup>1</sup> and an associated meter read system.<sup>2</sup> The proposed project is intended to assist Cannonsburg to continue to provide adequate and reliable water service to its customers.

The Sensus iPERL meter is a solid-state, battery-operated, electromagnetic flow measurement device.<sup>3</sup> Commission regulations do not prescribe specific accuracy or test flow standards for electromagnetic flow meters. In the absence of specific accuracy or test flow requirements for electromagnetic flow meters, 5/8-inch x 3/4-inch electromagnetic flow meters should be subject to the same accuracy and test flow standards of 5/8-inch x 3/4-inch displacement meters.<sup>4</sup> Given that the deployment of electromagnetic meters is a recent development, Cannonsburg should develop and submit to the Commission a sample testing program for the proposed metering equipment after its deployment in order to ensure that it is operating within acceptable limits and accurately registering water use.

The total cost of the project, including legal, administrative, development, and engineering costs, plus interest and contingencies, is \$2,086,000.<sup>5</sup>

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<sup>1</sup> Application, Specifications, Section 13600, Part 1, Products.

<sup>2</sup> Application at paragraph 4.

<sup>3</sup> Application, Specifications, Section 13600, Part 1, Products, Type.

<sup>4</sup> 807 KAR 5:066, Section 15(2).

<sup>5</sup> Application, Final Engineering Report, Table IV-2.

Cannonsburg proposes to finance the proposed construction with the proceeds of the issuance and sale of \$1,668,000 of its Waterworks Revenue Bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, and an RD grant in the amount of \$418,000. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 3.25 percent per annum. Under the proposed rates, the monthly bill of a residential water customer who uses 5,000 gallons will increase from \$44.58 to \$51, or approximately 14.40 percent. Cannonsburg 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 Cannonsburg, 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 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. Cannonsburg is granted a CPCN for the proposed construction and improvement project.
2. Cannonsburg's proposed plan of financing is approved.
3. Cannonsburg is authorized to issue \$1,668,000 of its Waterworks Revenue Bonds maturing over 40 years at an interest rate not exceeding 3.25 percent per annum.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Cannonsburg's application.
5. Cannonsburg shall develop and submit to the Commission a sample testing plan for the proposed metering equipment within 90 days after its deployment to ensure that it is operating with acceptable limits and accurately registering water usage.
6. Prior to placing the proposed meters in service, Cannonsburg shall ensure that each meter is tested for accuracy by an approved agency or utility and a Commission-certified meter tester pursuant to 807 KAR 5:006, Section 17.
7. Cannonsburg shall adopt procedures to test its meters as soon as possible after removal from service and shall maintain test records in accordance with 807 KAR 5:006, Section 18.
8. Cannonsburg shall continue to test its meters in accordance with 807 KAR 5:066, Section 16(1).
9. Cannonsburg shall continue to systematically perform and maintain records of annual inspections of its facilities including meters, meter settings, and valves in accordance with 807 KAR 5:006, Section 26.

10. Cannonsburg shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

11. Notwithstanding ordering paragraphs 4 and 10, if surplus funds remain after the approved construction has been completed, Cannonsburg 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 Cannonsburg's rates for service. Cannonsburg shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

12. Cannonsburg 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.

13. Cannonsburg 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.

14. Cannonsburg 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.

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

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

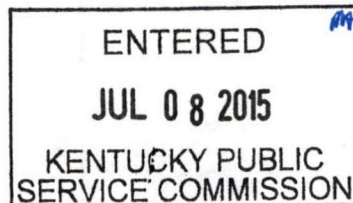
17. Within 20 days of the date of this Order, Cannonsburg shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates set forth in the Appendix to this Order.

18. Any documents filed in the future pursuant to ordering paragraphs 5, 12, 13, and 15 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.


19. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Cannonsburg'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. 2015-00181 DATED **JUL 08 2015**

The following rates and charges are prescribed for the customers in the area served by Cannonsburg 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- X 3/4-Inch Meter

First	2,000 Gallons	\$24.00	Minimum Bill
Next	3,000 Gallons	9.00	per 1,000 Gallons
Next	15,000 Gallons	8.25	per 1,000 Gallons
Next	30,000 Gallons	7.60	per 1,000 Gallons
Next	50,000 Gallons	7.25	per 1,000 Gallons
Over	100,000 Gallons	6.33	per 1,000 Gallons

##### 1-Inch Meter

First	5,000 Gallons	\$51.00	Minimum Bill
Next	15,000 Gallons	8.25	per 1,000 Gallons
Next	30,000 Gallons	7.60	per 1,000 Gallons
Next	50,000 Gallons	7.25	per 1,000 Gallons
Over	100,000 Gallons	6.33	per 1,000 Gallons

##### 2- & 3-Inch Meter

First	20,000 Gallons	\$174.75	Minimum Bill
Next	30,000 Gallons	7.60	per 1,000 Gallons
Next	50,000 Gallons	7.25	per 1,000 Gallons
Over	100,000 Gallons	6.33	per 1,000 Gallons

##### 6-Inch Meter

First	50,000 Gallons	\$402.75	Minimum Bill
Next	50,000 Gallons	7.25	per 1,000 Gallons
Over	100,000 Gallons	6.33	per 1,000 Gallons

##### 12-Inch Meter

First	100,000 Gallons	\$765.25	Minimum Bill
Over	100,000 Gallons	6.33	per 1,000 Gallons

Wholesale Customer

Big Sandy Water District	\$4.25	per 1,000 Gallons
City of Greenup Co.	\$4.25	per 1,000 Gallons



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