

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LYON COUNTY WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO)	2015-00376
CONSTRUCT, FINANCE, AND INCREASE)	
RATES PURSUANT TO KRS 278.023)	

ORDER

Lyon County Water District ("Lyon District") 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 in water rates. Lyon District's application met the minimum filing requirements of KRS 278.023 on December 10, 2015.

This project consists of multiple individually bid contracts comprising the installation of approximately 43,000 linear feet of water transmission main and associated appurtenances, and acquisition of approximately 2,000 radio-read meters, including equipment and software. Contracts 1 and 2, for the approximately 43,000 linear feet of water transmission main and associated appurtenances, have been bid. Lyon District plans to bid the radio-read meters in the near future.¹ Lyon District proposes to "file a motion with this Commission to amend its Order in this case to include said meters in the CPCN" after the meters are bid.²

¹ Application, numbered paragraph 4.

² *Id.*

Construction costs, based on bids received by Lyon District on June 16, 2015, are \$941,230 for Contract 1 and \$2,137,666 for Contract 2. The total project cost, including costs for administrative, legal, engineering, interest, construction, radio-read meters and contingencies, is \$4,550,000.³

Lyon District proposes to finance the proposed construction with the proceeds of the issuance of \$1,900,000 of Waterworks Revenue Bonds to be purchased by the United States Department of Agriculture (“USDA”) Rural Development (“RD”) for a 40-year period at an interest rate not to exceed 3.00 percent per annum, a USDA RD grant in the amount \$650,000, and a Kentucky Infrastructure Authority (“KIA”)-administered Drinking Water State Revolving Fund loan of \$2,000,000⁴ for a 20-year period at an interest rate of 2 percent.⁵

Lyon District 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 Lyon District, 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

³ Application, Final Engineering Report by HDR, September 11, 2015.

⁴ Application, numbered paragraph 5.

⁵ Application, Letter of Conditions, Amendment 1.

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.

Finally, Lyon District has proposed to later move to amend the requested CPCN to include radio-read meters, the contract for which has not yet been bid. While Lyon District has not provided any supporting basis to permit amending a Commission Order granting a CPCN to later include additional projects in the certificate, the radio-read meters were contemplated as part of the entire project as approved by RD.⁶ As the RD approval includes the radio-read meters, after completing Contracts 1 and 2, Lyon District may utilize excess funds for the radio-read meters. Absent the need for additional funding, further Commission approval is not required.

IT IS THEREFORE ORDERED that:

1. Lyon District is granted a CPCN for the proposed construction as set forth in its application.
2. Lyon District's proposed plan of financing is approved.
3. Lyon District is authorized to issue \$1,900,000 of its Waterworks Revenue Bonds maturing over 40 years at an interest rate not exceeding 3.00 percent per annum.

⁶ See Application, Letter from Thomas G. Fern, State Director, RD, to Terry McKinney, Chairman, Lyon County (Dec. 19, 2011); Letter from Thomas G. Fern, State Director, RD, to Don Robertson, Chairman, Lyon County (Sept. 17, 2015).

4. Lyon District is authorized to obtain a KIA loan in the amount of \$2,000,000 at an interest rate not to exceed 2.0 percent per annum, maturing over 20 years.

5. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Lyon District's application.

6. Lyon District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

7. Lyon District may utilize excess funds towards its radio-read meter project.

8. Notwithstanding ordering paragraphs 5, 6, and 7, if surplus funds remain after the approved construction has been completed, Lyon District 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 Lyon District's rates for service. Lyon District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

9. Lyon District 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.

10. Lyon District 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 the substantial completion of the construction certificated herein.

11. Lyon District shall require construction to be inspected under the general supervision of a licensed 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. Lyon District shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

13. The rates set forth in the Appendix to this Order are approved for service rendered by Lyon District on and after the date of this Order.

14. Within 20 days of the date of this Order, Lyon District 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.

15. Any documents filed in the future pursuant to ordering paragraphs 6, 8, 9, 10, and 12 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

16. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon Lyon District'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

ENTERED
JAN 07 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2015-00376

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00376 DATED **JAN 07 2016**

The following rates and charges are prescribed for the customers in the area served by Lyon County 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	\$25.00	Minimum Bill
Next	3,000 Gallons	10.62	per 1,000 Gallons
Next	5,000 Gallons	7.50	per 1,000 Gallons
Next	10,000 Gallons	6.25	per 1,000 Gallons
Over	20,000 Gallons	5.50	per 1,000 Gallons

1-Inch Meter

First	15,000 Gallons	\$116.25	Minimum Bill
Next	5,000 Gallons	6.25	per 1,000 Gallons
Over	20,000 Gallons	5.50	per 1,000 Gallons

1 1/2-Inch Meter

First	25,000 Gallons	\$156.25	Minimum Bill
Over	25,000 Gallons	5.50	per 1,000 Gallons

2-Inch Meter

First	45,000 Gallons	\$281.25	Minimum Bill
Over	45,000 Gallons	5.50	per 1,000 Gallons

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