

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|-------------------------------------|---|------------|
| APPLICATION OF FOUNTAIN RUN WATER |) | |
| DISTRICT NO. 1 FOR A CERTIFICATE OF |) | CASE NO. |
| PUBLIC CONVENIENCE AND NECESSITY TO |) | 2016-00229 |
| CONSTRUCT, FINANCE, AND INCREASE |) | |
| RATES PURSUANT TO KRS 278.023 |) | |

ORDER

Fountain Run Water District No. 1 (“Fountain Run”) has applied to the Commission for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a sewer improvement project, for approval of its plan to finance the proposed project, and for an increase in sewer rates. Fountain Run’s application met the minimum filing requirements on July 20, 2016.

This project consists of the upgrading and replacing of nine existing pump stations and the installation of approximately 925 linear feet of small-diameter gravity sewer lines and appurtenances.¹

Construction costs, based on the bid received by Fountain Run on June 2, 2016, are \$213,094.00.² The total project cost, including costs for administrative, legal, engineering, interest, construction, and contingencies, is \$425,000.³

¹ Application, Exhibit D.

² *Id.*

³ *Id.*

Fountain Run proposes to finance the proposed construction with a loan from the United States Department of Agriculture Rural Development (“RD”) in the amount of \$133,000 amortized over a 40-year period at an interest rate not to exceed 2.125 percent per annum.⁴ Additional funding for the project is in an RD grant in the amount of \$74,000 and an Appalachian Regional Commission grant in the amount of \$218,000.⁵

Fountain Run has submitted its application pursuant to KRS 278.023. 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 Fountain Run, 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. Fountain Run is granted a CPCN for the proposed construction as set forth in its application.

⁴ Application at 1–2.

⁵ *Id.*, Exhibit A.

2. Fountain Run's proposed plan of financing is approved.
3. Fountain Run is authorized to issue \$133,000 of its water system revenue bonds maturing over 40 years at an interest rate not exceeding 2.125 percent per annum.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Fountain Run's application.
5. Fountain Run shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
6. Notwithstanding ordering paragraphs 4 and 5, if surplus funds remain after the approved construction has been completed, Fountain Run 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 Fountain Run's rates for service. Fountain Run shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
7. Fountain Run 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. Fountain Run 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.

9. Fountain Run 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.

10. Fountain Run 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 Fountain Run renders on and after the date of this Order.

12. Within 20 days of the date of this Order, Fountain Run 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 the filing of any documents required by this Order upon Fountain Run'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
AUG 15 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2016-00229

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2016-00229 DATED **AUG 15 2016**

The following rates and charges are prescribed for the customers in the area served by Fountain Run 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.

Sewer Monthly Rates

All Meters

| | | | |
|----------|---------------|----------|-------------------|
| First | 1,000 gallons | \$ 22.00 | Minimum bill |
| All Over | 1,000 gallons | 2.00 | per 1,000 gallons |

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