

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH SHELBY WATER)	
COMPANY FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO CONSTRUCT,)	CASE NO.
FINANCE AND INCREASE RATES PURSUANT TO)	2014-00206
THE PROVISIONS OF KRS 278.020 AND KRS)	
278.023)	

ORDER

North Shelby Water Company ("North Shelby") has applied to the Commission for a Certificate of Public Convenience and Necessity ("CPCN") to construct a waterworks improvements project known as the East-West Connector-Phase II, for approval of its plan to finance the proposed project, and for an adjustment of water rates. North Shelby's application met the minimum filing requirements of KRS 278.023 on July 3, 2014.

North Shelby proposes to construct approximately 19,340 linear feet of 12-inch polyvinyl chloride ("PVC") water transmission main, approximately 200 linear feet of ten-inch PVC transmission main, approximately 120 linear feet of six-inch PVC transmission main, and a new booster pump station and appurtenances. No new customers will be added as a result of this construction. The proposed project will enable North Shelby to provide reliable and adequate water service to its customers in both the eastern and the western supply zones. The total cost of the project, including legal and administrative cost, development cost, engineering cost, interest, and contingencies, is \$2.1 million.

North Shelby proposes to finance the total cost of the proposed construction through the issuance of a \$2.1 million promissory note to Rural Development (“RD”). The proposed \$2.1 million note will mature over a 40-year period and will accrue interest at a rate equal to the lower of the rate in effect at the time of loan’s approval or the rate in effect at the time of loan’s closing.¹ Under the proposed rates, the monthly bill of a residential water customer who uses 5,000 gallons will increase from \$36.06 to \$37.58, or approximately 4.22 percent. Pursuant to North Shelby’s customer notice, the rates will become effective August 15, 2014.²

North Shelby 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 North Shelby, 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

¹ Application, item 5.

² Application, Legal Notice.

the same standards that are used for applications that are not filed pursuant to KRS 278.023.

IT IS THEREFORE ORDERED that:

1. North Shelby is granted a CPCN for the proposed construction project.
2. North Shelby's proposed plan of financing is accepted.
3. North Shelby is authorized to issue to RD a promissory note in an amount not to exceed \$2.1 million, which matures over a 40-year period at an interest rate equal to the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing.
4. The proceeds from the proposed promissory note shall be used only for the purposes specified in North Shelby's application.
5. North Shelby 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, North Shelby 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 North Shelby's rates for service. North Shelby shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
7. North Shelby 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.

8. North Shelby 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.

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

10. The rates set forth in the Appendix to this Order are approved for service that North Shelby renders on and after August 15, 2014.

11. Within 20 days of the date of this Order, North Shelby 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.

12. Within 30 days of the date of the issuance of the proposed promissory note to RD, North Shelby 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.

13. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 9, and 12 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

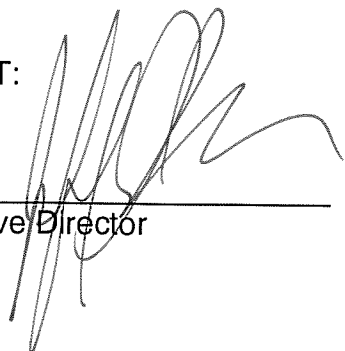
14. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by the Order upon North Shelby's showing of good cause for such extension.

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
JUL 21 2014
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00206 DATED

The following rates and charges are prescribed for the customers in the area served by North Shelby Water Company. 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	\$17.66	Minimum bill
Next	3,000	gallons	6.64	per 1,000 gallons
Next	5,000	gallons	5.26	per 1,000 gallons
Next	40,000	gallons	4.57	per 1,000 gallons
All Over	50,000	gallons	3.89	per 1,000 gallons

1-Inch Meter

First	5,000	gallons	\$37.55	Minimum bill
Next	5,000	gallons	5.26	per 1,000 gallons
Next	40,000	gallons	4.57	per 1,000 gallons
All Over	50,000	gallons	3.89	per 1,000 gallons

1 1/2-Inch Meter

First	10,000	gallons	\$63.85	Minimum bill
Next	40,000	gallons	4.57	per 1,000 gallons
All Over	50,000	gallons	3.89	per 1,000 gallons

2-Inch Meter

First	15,000	gallons	\$86.70	Minimum bill
Next	35,000	gallons	4.57	per 1,000 gallons
All Over	50,000	gallons	3.89	per 1,000 gallons

3-Inch Meter

First	35,000	gallons	\$178.10	Minimum bill
Next	15,000	gallons	4.57	per 1,000 gallons
All Over	50,000	gallons	3.89	per 1,000 gallons

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