

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE EAST LAUREL WATER	)	
DISTRICT FOR A CERTIFICATE OF PUBLIC	)	CASE NO.
CONVENIENCE AND NECESSITY TO CONSTRUCT,	)	2015-00146
FINANCE AND INCREASE RATES PURSUANT TO	)	
KRS 278.023	)	

ORDER

East Laurel Water District ("East Laurel") 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. East Laurel's application met the minimum filing requirements of KRS 278.023 on May 13, 2015. On June 4, 2015, East Laurel amended its application to include the purchase of radio-read meters.

Contract 1 of this project consists of the installation of approximately 41,340 linear feet of 8-inch polyvinyl chloride and 800 linear feet of 8-inch ductile Iron water line, and two new 400-gallon-per-minute above-ground booster pump stations and related appurtenances along Apple Orchard Road.<sup>1</sup> Contract 2 of this project includes the purchase of approximately 2,000 Mueller Systems 420 Series Composite radio-read meters and an automated meter-reading system to be installed by East Laurel.<sup>2</sup> The proposed Contract 1 project is intended to supplement the existing facilities in the area and will aid in maintaining and improving water service quality and reliability to East

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<sup>1</sup> Final Engineering Report, Bid Tabulations.

<sup>2</sup> Final Engineering Report, Recommendations.

Laurel's existing customers served by this project. The total cost of the project, including legal, administrative, development, and engineering costs, plus interest and contingencies, is \$1,961,000.<sup>3</sup>

East Laurel proposes to finance the proposed construction with the proceeds of the issuance and sale of \$1,373,000 of its Waterworks Revenue Bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, and a \$588,000 RD grant. 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 \$37.04 to \$42.43, or approximately 14.56 percent. East Laurel 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 East Laurel, 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

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<sup>3</sup> Final Engineering Report at 1.

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

IT IS THEREFORE ORDERED that:

1. East Laurel is granted a CPCN for the proposed construction and improvement project.
2. East Laurel's proposed plan of financing is approved.
3. East Laurel is authorized to issue \$1,373,000 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 East Laurel's application.
5. Prior to placing the proposed meters in service, East Laurel 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.
6. East Laurel 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.
7. East Laurel shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
8. Notwithstanding ordering paragraphs 4 and 7, if surplus funds remain after the approved construction has been completed, East Laurel 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 East Laurel's rates for service. East Laurel

shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

9. East Laurel 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. East Laurel 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.

11. East Laurel 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.

12. East Laurel 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 that East Laurel renders on and after the date of this Order.

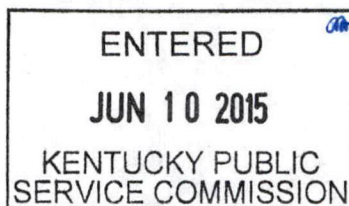
14. Within 20 days of the date of this Order, East Laurel shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates set forth in the Appendix to this Order.

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

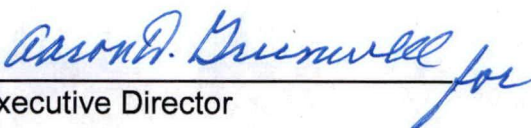
16. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon East Laurel's showing of good cause for such extension.

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. 2015-00146 DATED **JUN 10 2015**

The following rates and charges are prescribed for the customers in the area served by East Laurel 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-Inch Meter

First	2,000	gallons	\$19.75	Minimum bill
Next	2,000	gallons	7.64	per 1,000 gallons
Next	2,000	gallons	7.40	per 1,000 gallons
Next	4,000	gallons	6.62	per 1,000 gallons
Over	10,000	gallons	5.97	per 1,000 gallons

##### 1-Inch Meter

First	6,000	gallons	\$49.83	Minimum bill
Next	4,000	gallons	6.62	per 1,000 gallons
Over	10,000	gallons	5.97	per 1,000 gallons

##### 2-Inch Meter

First	20,000	gallons	\$136.01	Minimum bill
Over	20,000	gallons	5.97	per 1,000 gallons

##### 3-Inch Meter

First	30,000	gallons	\$195.71	Minimum bill
Over	30,000	gallons	5.97	per 1,000 gallons

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