

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WESTERN LEWIS-	)	
RECTORVILLE WATER DISTRICT FOR A	)	CASE NO.
CERTIFICATE OF PUBLIC CONVENIENCE AND	)	2016-00111
NECESSITY TO CONSTRUCT AND FINANCE	)	
WATER SYSTEM IMPROVEMENTS	)	

ORDER

Western Lewis-Rectorville Water and Gas District (“Western Lewis-Rectorville”) has applied to the Commission for a certificate of Public Convenience and Necessity (“CPCN”) to construct a waterworks improvement project, and for approval of the proposed plan of financing. Western Lewis-Rectorville tendered its application on March 1, 2016. The application was considered filed on March 11, 2016, after deficiencies were cured.

This proposed project consists of the installation of distribution system improvements, including replacement and/or extension of water lines, installation of an Automated Meter Reading (“AMR”) system, and rehabilitation of the Flat Gap water storage tank.<sup>1</sup> Contracts for components of the project were individually bid.

Contract 1 consists of approximately 2,350 feet of 6-inch polyvinyl chloride (“PVC”) water main, 22,000 feet of 4-inch PVC water main, and 2,700 feet of 2-inch PVC water main.<sup>2</sup>

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<sup>1</sup> Application at 1.

<sup>2</sup> Contract Documents and Technical Specifications for Phase V Water System Improvements Contract I – Distribution System Improvements, prepared by HMB Professional Engineers, January 2016.

Bids were opened on January 19, 2016. The base bid for this project was \$248,707.50.<sup>3</sup>

Contract 2 consists of approximately 1,264 new radio-read meters and 1,003 retro-fits of registers on existing meters.<sup>4</sup> Bids were opened on January 19, 2016. The base bid for this project was \$546,072.00.<sup>5</sup>

Contract 3 consists of interior and exterior repainting of the 200,000 gallon Flat Gap Water Storage Tank.<sup>6</sup> Bids were opened on January 19, 2016. The base bid for this project was \$101,750.00.<sup>7</sup>

The total of the base bids on the three projects was \$896,529.50. Since the total as-bid project costs were "well within the available financing," the District voted to add \$231,325 of alternates to Contract 1 and a \$222,000 alternate to Contract 2.<sup>8</sup> The alternates for Contract 1 consist of six meter replacements on Stonelick Road, 2,750 feet of 6-inch PVC water line on Cabin Creek West, 3,500 feet of 4-inch PVC water line on Poplar Flat, 300 feet of 2-inch PVC water line on Jefferson Run Road, 8,200 feet of 6-inch PVC water line on Lundergan Farm, and pressure regulating valve replacements at Big Cabin Creek and Little Cabin Creek. The alternate for Contract 2 is to add new meter boxes and setting for some of the new radio-read meters. The total project cost,

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<sup>3</sup> Application, Exhibit C.

<sup>4</sup> Contract Documents and Technical Specifications for Phase V Water System Improvements Contract II – AMR System, prepared by HMB Professional Engineers, January 2016.

<sup>5</sup> Application, Exhibit C.

<sup>6</sup> Contract Documents and Technical Specifications for Phase V Water System Improvements Contract III – Flat Gap Tank Rehabilitation, prepared by HMB Professional Engineers, January 2016.

<sup>7</sup> Application, Exhibit C.

<sup>8</sup> *Id.*

including administrative, legal, engineering, interest, construction, inspection and contingencies, is \$1,781,100.<sup>9</sup>

Western Lewis-Rectorville proposes to finance the proposed construction with a \$500,000 grant from the Appalachian Regional Commission (“ARC”), and a Kentucky Infrastructure Authority (“KIA”) administered Drinking Water State Revolving Fund loan not to exceed \$1,266,500 for a 20-year period at an interest rate of 0.75 percent with 30 percent of the principal to be forgiven.<sup>10</sup> The District will contribute \$14,600 from connection and tap fees toward this project.<sup>11</sup>

The ARC grant is administered through Rural Development (“RD”), an agency of the United States Department of Agriculture (“USDA”). Since RD is administering ARC funds, Western-Lewis Rectorville has an agreement with the USDA through RD.<sup>12</sup> This makes this application subject to the provisions of 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 Western Lewis-

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<sup>9</sup> *Id.*

<sup>10</sup> *Id.* at 2.

<sup>11</sup> *Id.*, Exhibit A.

<sup>12</sup> *Id.*

Rectorville, or to defer the issuance of such orders as may be required to implement the terms of that agreement. It further denies the Commission any authority to modify or reject any portion of the agreement. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not subject to KRS 278.023.

IT IS THEREFORE ORDERED that:

1. Western Lewis-Rectorville is granted a CPCN for the proposed construction as set forth in its application.
2. Western Lewis-Rectorville's proposed plan of financing is approved.
3. Western Lewis-Rectorville is authorized to obtain a KIA loan in an amount not to exceed \$1,266,500 with 30 percent principal forgiveness at an interest rate not to exceed 0.75 percent per annum, maturing over 20 years.
4. The proceeds from the ARC grant and KIA loan shall be used only for the purposes specified in Western Lewis-Rectorville's application.
5. Western Lewis-Rectorville 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, Western Lewis-Rectorville 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 Western Lewis-Rectorville's rates for service. Western Lewis-Rectorville shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Western Lewis-Rectorville 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. Western Lewis-Rectorville 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. Western Lewis-Rectorville 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. Western Lewis Rectorville shall test all meters that are removed from service for accuracy, as specified in 807 KAR 5:066, Section 15. Any meter found to have an average error greater than 2 percent, fast or slow, shall be further investigated pursuant to 807 KAR 5:066, Section 11, to determine the extent of any billing adjustment required.

11. All new water meters shall be tested before being placed in service in accordance with 807 KAR 5:006, Section 17, and as specified in 807 KAR 5:066,

Section 15. Pursuant to 807 KAR 5:006, Section 17(2), a utility may have meter tests performed by another utility or agency approved by the Commission for that purpose with notice to the Commission of such arrangements.

12. All meters removed from service for which registers are to be replaced shall be tested in the condition as found upon removal prior to any alteration or adjustment in accordance with 807 KAR 5:066, Section 15(3), and, after being rebuilt or repaired, prior to being placed in service in accordance with 807 KAR 5:006, Section 17, and 807 KAR 5:066, Section 15.

13. The District shall maintain test records for all meters tested in accordance with 807 KAR 5:006, Section 18.

14. The District 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.

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

16. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 8, and 15 of this Order shall reference this case number and shall be retained in Western Lewis-Rectorville's general correspondence file.

17. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon Western Lewis-Rectorville'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  
MAR 31 2016  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Acting Executive Director

Case No. 2016-00111

\*Honorable Jeffrey L. Schumacher  
Attorney at Law  
Schumacher Law Office  
217 Wall Street  
P.O. Box 607  
Maysville, KENTUCKY 41056

\*Western Lewis-Rectorville Water and Gas District  
8044 KY 3161  
Maysville, KY 41056-9344

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8044 KY 3161  
Maysville, KY 41056-9344