

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LAKE VILLAGE WATER	)	
ASSOCIATION, INC. FOR A CERTIFICATE OF	)	
PUBLIC CONVENIENCE AND NECESSITY TO	)	CASE NO.
CONSTRUCT AND FINANCE A PROJECT,	)	2016-00153
FUNDED BY USDA RURAL DEVELOPMENT	)	
PURSUANT TO THE PROVISIONS OF KRS	)	
278.023 AND KRS 278.020	)	

ORDER

Lake Village Water Association (“Lake Village”) 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. Lake Village’s application met the minimum filing requirements on April 27, 2016.

This project consists of the rehabilitation of the existing 600,000-gallon elevated water storage tank located on the Northpoint Training Center property in Boyle County, Kentucky,<sup>1</sup> consisting of tank painting, tank modifications, and telemetry, and the installation of approximately 1,550 feet of 12-inch water main and its appurtenances.<sup>2</sup> This project will increase the storage capacity of the system to comply with 807 KAR 5:066, Section 4(4).<sup>3</sup> Ownership of the 600,000-gallon elevated tank was transferred to Lake Village from the Kentucky Department of Corrections (“Corrections”) after

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<sup>1</sup> Application at 2.

<sup>2</sup> *Id.*, Exhibit B, Bid Tabulation Breakdown.

<sup>3</sup> Application at 2.

Corrections ceased operating its on-site water treatment plant at Northpoint Training Center.<sup>4</sup>

Construction costs, based on the bid received by Lake Village on March 10, 2016, are \$452,540.00.<sup>5</sup> The total project cost, including costs for administrative, legal, engineering, interest, construction, and contingencies, is \$656,000.<sup>6</sup>

Lake Village proposes to finance the proposed construction with the a loan from the United States Department of Agriculture (“USDA”) Rural Development (“RD”) in the amount of \$656,000 amortized over a 40-year period at an interest rate not to exceed 3.5 percent per annum<sup>7</sup>.

Lake Village 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 Lake Village, 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

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<sup>4</sup> *Id.*, Exhibit D, Final Engineering Report by Strand Associates, Inc., March 2016.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*, Exhibit A, Rural Development Letter of Conditions (from Thomas G. Fern to Danny Noel), June 23, 2015. The Final Engineering Report by Strand Associates has the total project cost at \$656,500.

<sup>7</sup> Application at 2.

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. Lake Village is granted a CPCN for the proposed construction as set forth in its application.

2. Lake Village's proposed plan of financing is approved.

3. Lake Village is authorized to issue \$656,000 of its water system revenue bonds maturing over 40 years at an interest rate not exceeding 3.5 percent per annum.

4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Lake Village's application.

5. Lake Village 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, Lake Village 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 Lake Village's rates for service. Lake Village shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Lake Village 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. Lake Village 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. Lake Village 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. Lake Village 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 Lake Village renders on and after the date of this order.

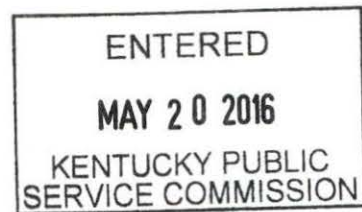
12. Within 20 days of the date of this Order, Lake Village shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates set forth in the Appendix to this Order.

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 Lake Village'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 Lake Village'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:

  
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Acting Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2016-00153 DATED **MAY 20 2016**

The following rates and charges are prescribed for the customers in the area served by Lake Village Water Association. 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	\$ 26.40	Minimum bill
Next	18,000 gallons	10.25	per 1,000 gallons
All Over	20,000 gallons	8.27	per 1,000 gallons

Wholesale Water Rate

North Point Training Center	\$ 3.90	per 1,000 gallons
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