

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KIRKSVILLE WATER)	
ASSOCIATION REQUESTING: (1) A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY AUTHORIZING CONSTRUCTION OF)	CASE NO. 2004-00115
MAJOR ADDITIONS AND IMPROVEMENTS TO)	
ITS WATER SYSTEM; (2) SEEKING APPROVAL)	
OF FINANCING PURSUANT TO KRS 278.023)	

ORDER

Kirksville Water Association (“Kirksville”) has moved to amend the Commission’s Order of April 23, 2004 in which the Commission, as required by KRS 278.023, issued a Certificate of Public Convenience and Necessity to construct certain water system improvements, authorized a plan of financing for such construction, and approved an adjustment of its rates. Kirksville seeks the amendment to reflect changes in its agreement with Rural Development (“RD”), an agency of the United States Department of Agriculture (“USDA”). We grant the motion.

On March 29, 2004, Kirksville applied for a Certificate of Public Convenience and Necessity to construct a \$357,700 waterworks improvement project, authorization for the proposed financing, and an adjustment of rates. This project consisted of the construction and installation of approximately 7 miles of water line for the purpose of expanding service to provide an adequate supply of water for 25 new users within Kirksville’s service area. Kirksville proposed to finance this project through a loan of \$100,000 and a grant of \$116,400 from RD, a Kentucky Infrastructure Authority 2020

Grant of \$125,000, and customer contributions of \$16,300. Kirksville's agreement with RD required a new schedule of rates for water service.

Kirksville made its application pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the USDA and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. As the utility had met the minimum filing requirements, we granted the requested relief on April 23, 2004.

On July 22, 2004, Kirksville moved to amend the Order of April 23, 2004 to reflect revisions in its financing agreement with RD.¹ More specifically, RD specified a different schedule of rates than that which we had approved. It further revised the plan of financing to increase its proposed loan to Kirksville from \$100,000 to \$170,000. The plan of financing further projects the cost of the proposed water improvement project to be \$427,000.

Given the General Assembly's directive as set forth in KRS 278.023, the Commission has no discretion in this matter and finds that the motion to amend the Order of April 23, 2004 should be granted.²

¹ In its motion, Kirksville notes that the Revised Letter of Conditions from RD provides for additional financing for the water association to complete its project and requires a schedule of rates that differs from that approved in the Commission's Order of April 23, 2004. While requesting approval of a revised schedule of rates, Kirksville is silent upon the revisions to the financing arrangement. As KRS 278.023 requires the Commission to issue Orders to implement all terms of Kirksville's agreement with RD, we interpret Kirksville's motion to apply to the revised financing provisions as well.

² The Commission notes that RD's revised Letter of Conditions was issued on January 29, 2004, two months before Kirksville filed its application. Kirksville has provided no explanation as to why the revised Letter of Conditions was not part of its original application. We expect that in future filings Kirksville will make all efforts to file a complete and timely application and thus avoid piecemeal adjudication of its applications.

IT IS THEREFORE ORDERED that:

1. Kirksville's Motion to Amend the Order of April 23, 2004 to reflect RD's revised Letter of Conditions of January 29, 2004 is granted.

2. Kirksville's proposed plan of financing, as amended, is approved.

3. Kirksville is authorized to enter into a loan agreement with RD for the purposes set forth in its application in this proceeding.

4. The proceeds from the loan agreement with RD shall be used only for the purposes specified in Kirksville's application.

5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Kirksville may use such surplus to construct additional plant facility if RD approves of the use and the additional construction will not result in a change in Kirksville's rates for service. Kirksville shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. The rates set forth in the Appendix to this Order are approved for water service that Kirksville renders on and after the date of this Order.

7. All provisions of the Commission's Order of April 23, 2004 that are not in conflict with this Order shall remain in effect.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 8th day of September, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a solid horizontal line.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2004-00115 DATED September 8, 2004

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

First	2,000 gallons @ \$15.38 – Minimum Bill
Next	5,000 gallons @ \$ 7.37 – per 1,000 gallons
Next	3,000 gallons @ \$ 6.03 – per 1,000 gallons
All Over	10,000 gallons @ \$ 4.92 – per 1,000 gallons