

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE FARMDALE WATER	)	
DISTRICT FOR A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY TO	)	CASE NO. 2012-00178
CONSTRUCT FINANCE AND INCREASE RATES	)	
PURSUANT TO KRS 278.023	)	

ORDER

On May 14, 2012, Farmdale Water District (“Farmdale District”) applied for a Certificate of Public Convenience and Necessity to construct a \$3,570,000 waterworks improvement project, approval of its plan to finance the proposed project, and an adjustment of rates.

Farmdale District proposes to replace approximately 19,500 linear feet of small diameter asbestos concrete and polyvinylchloride (“PVC”) water main with 20,000 linear feet of 12-inch PVC water main; to construct a 500,000 gallon elevated storage tank and a 1,200 gallons per minute booster pump station; install a supervisory control and data acquisition system; and install an automated meter reading system, to include the replacement of all existing system meters. The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is \$3,570,000.<sup>1</sup>

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<sup>1</sup> Proposed project costs are:

Water Line and Pumping Station	\$1,008,994
Elevated Water Storage Tank	941,000
SCADA System	84,490
Automated Meter Reading System	952,521
Land and Rights	5,000
Legal and Administration	25,000
Engineering	350,395
Contingencies	179,600
Interest	23,000
TOTAL	<u>\$3,570,000</u>

Farmdale District proposes to finance the proposed construction with the proceeds of the issuance of \$1,858,000 of Waterworks Revenue Bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture. These bonds will be issued in two series: (1) \$1,668,000 of Series A bonds which will mature over a 40-year period and accrue interest at a rate not to exceed 4.25 percent per annum; and (2) \$190,000 of Series B bonds which will mature over a 40-year period and accrue interest at a rate not to exceed 3.375 percent per annum. The proposed project will also be funded through a grant of \$1,212,000 from the Kentucky Infrastructure Authority and \$500,000 of Farmdale District's internal funds.

Farmdale District also proposes to increase its rates for water service to finance the increased debt service requirements. Under the proposed rates, the monthly bill of a residential customer who uses 5,000 gallons of water monthly will increase from \$19.40 to \$22.87, or 17.89 percent.

Farmdale District 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 Farmdale District, 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.

Farmdale District's application met the minimum filing requirements of KRS 278.023 on May 14, 2012. 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.<sup>2</sup>

IT IS THEREFORE ORDERED that:

1. Farmdale District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Farmdale District's proposed plan of financing is accepted.
3. Farmdale District is authorized to issue \$1,668,000 of its Series A Waterworks Revenue Bonds at an interest rate not exceeding 4.25 percent per annum, and \$190,000 of its Series B Waterworks Revenue Bonds at an interest rate not exceeding 3.375 percent per annum, both maturing over 40 years.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Farmdale District's application.
5. Notwithstanding ordering paragraph 4, if surplus funds remain after the approved construction has been completed, Farmdale District may use such surplus to construct additional plant facilities if RD approves of the use and the additional

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<sup>2</sup> KRS 278.023 does not prevent the Commission from placing restrictions or additional requirements upon a water district or water association that are intended to ensure a reasonable service. Farmdale District has chosen to install a meter that uses electromagnetic technology to measure water usage. We have previously found that the relative recent deployment of such technology requires those water utilities using the technology to "develop a sample testing program to test the proposed metering equipment after its deployment to ensure it is operating within acceptable limits and accurately registering water usage." Case No. 2011-00233, *Application of Graves County Water District for Approval of Construction and Issuance of a Certificate of Convenience and Necessity for the Purchase and Installation of Automated Meter Reading Equipment* (Ky. PSC Nov. 3, 2011) at 7-8. By this Order, we are imposing the same requirement upon Farmdale District.

construction will not result in a change in Farmdale District's rates for service. Farmdale District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Farmdale District 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.

7. Farmdale District 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.

8. Farmdale District shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

9. The rates set forth in the Appendix to this Order are approved for service that Farmdale District renders on and after the date of this Order.

10. Within 30 days of the date of this Order, Farmdale District shall file revised tariff sheets with the Commission that set forth the rates contained in the Appendix to this Order.

11. None of the meters in question may be placed in service until they are tested by an entity that the Commission has approved for that purpose and are shown to be in good order and within required tolerance standards.

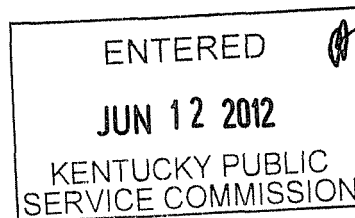
12. Within 180 days of the date of this Order, Farmdale District shall file with the Commission a written plan for a sample testing program to test the proposed

metering equipment after its deployment to ensure it is operating within acceptable limits and accurately registering water usage.<sup>3</sup>

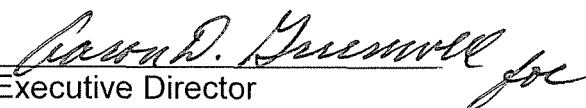
13. Any documents filed in the future pursuant to ordering paragraphs 5, 6, 8 and 12 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

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

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<sup>3</sup> To the extent that Farmdale District requires assistance in the development of such plan, the Commission strongly encourages it to consult with Commission Staff.

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00178 DATED JUN 12 2012

The following rates and charges are prescribed for the customers in the area served by Farmdale 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 x 3/4 Inch Meter

First	2,000 gallons	\$12.82	Minimum bill
Next	3,000 gallons	3.35	per 1,000 gallons
Next	5,000 gallons	2.85	per 1,000 gallons
Over	10,000 gallons	2.65	per 1,000 gallons

##### 1 Inch Meter

First	7,000 gallons	\$28.57	Minimum bill
Next	3,000 gallons	2.85	per 1,000 gallons
Next	140,000 gallons	2.65	per 1,000 gallons
Over	150,000 gallons	2.40	per 1,000 gallons

##### Industrial Consumers/Trailer Parks

First	7,000 gallons	\$28.57	Minimum bill
Next	3,000 gallons	2.85	per 1,000 gallons
Next	140,000 gallons	2.65	per 1,000 gallons
Over	150,000 gallons	2.40	per 1,000 gallons

##### Commercial Consumers (Stewart Home)

First	7,000 gallons	\$28.57	Minimum bill
Next	3,000 gallons	2.85	per 1,000 gallons
Next	140,000 gallons	2.65	per 1,000 gallons
Over	150,000 gallons	2.40	per 1,000 gallons

Clifford Toles  
Chairman  
Farmdale Water District  
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Frankfort, KENTUCKY 40601