

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF THE LARUE)	
COUNTY WATER DISTRICT #1 FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY TO CONSTRUCT A SYSTEM)	CASE NO.
IMPROVEMENTS PROJECT AND AN ORDER)	2020-00234
APPROVING A CHANGE IN RATES AND)	
AUTHORIZING THE ISSUANCE OF)	
SECURITIES PURSUANT TO KRS 278.023)	

ORDER

On July 30, 2020, Larue County Water District #1 (Larue District #1) filed an application, (Application) pursuant to KRS 278.023, requesting a Certificate of Public Convenience and Necessity (CPCN) to construct a water system improvements project, approval of the proposed plan of financing the project, and approval of a change in rates. No party has sought intervention in this matter. The record for this case is complete, and the matter stands ready for a decision.

Larue District #1, a water district organized under KRS Chapter 74, provides retail water service to approximately 3,646 water customers¹ in Larue County, Kentucky.²

The Commission notes that its records indicate Larue District #1 has not sought a general base rate adjustment since at least 1985. In Case No. 2020-00194 the

¹ *Annual Report of Larue County Water District #1 for the Year Ended December 31, 2019*, at 49.

² *Id.* at 12.

Commission ordered Larue District #1 to file an application for a traditional adjustment in rates or an alternative rate adjustment before July 2, 2021.³

The project proposed by Larue District #1 consists of infrastructure improvements including an extension of water lines and connections for overall improvement of flows, pressure and water quality to all areas of the system; construction of a new office building; and cleaning and rehabilitation of three water tanks.⁴ The proposed project will require approximately two miles of water line ranging in size from four-inches in diameter to six-inches in diameter.⁵ Currently Larue District # 1's offices are located in an older building, which was formerly used as a service station.⁶ Larue District #1 proposes to relocate its offices and build a new office building. Larue District #1 maintains this is necessary because the site of its current office space lacks room for expansion, presents environmental concerns due to underground storage tanks, and is adjacent to a stream that could undermine the foundation of the current structure and any additional construction.⁷

The total cost of the project, including but not limited to engineering, construction, legal, administrative, environmental and land acquisition costs plus interest and contingencies, is approximately \$3,800,000.⁸ Larue District #1 proposes to finance the

³ Case No. 2020-00194, *Electronic Purchased Water Adjustment Filing of Larue County Water District #1*. (Ky. PSC July 2, 2020).

⁴ Application at 1.

⁵ Preliminary Engineering Report at 2.

⁶ Response to Staff's First Request, Exhibit A.

⁷ *Id.*

⁸ Final Engineering Report at 1.

construction of the project through the issuance of \$2,800,000 of its Waterworks Revenue Bonds and a grant of \$1,000,000 from the United States Department of Agriculture (USDA) acting through Rural Development (RD).⁹ RD has committed to purchase said \$2,800,000 of Waterworks Revenue Bonds, with the bonds maturing over a 40-year period at an interest rate not to exceed 2.75 percent per annum.¹⁰

Larue District #1 has submitted its application pursuant to KRS 278.020 and KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and the USDA/RD regarding construction projects and to issue the necessary orders to implement the terms of such agreements no later than 30 days after filing the application with the Commission. KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between the USDA/RD and Larue District #1 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 utility's proposed facilities will result in the wasteful duplication of facilities, 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. Larue District #1 is granted a CPCN for the proposed project as submitted.

⁹ Application at 2.

¹⁰ *Id.*

2. Larue District #1's proposed plan of financing is approved.
3. Larue District #1 is authorized to issue water revenue bonds in the amount of \$2,800,000 maturing over a 40-year period at an interest rate not to exceed 2.75 percent per annum that will be purchased by USDA/RD.
4. The proceeds from the water revenue bonds shall be used only for the purposes specified in Larue District #1's application.
5. Larue District #1 is authorized to obtain a grant in the amount of \$1,000,000 from USDA/RD.
6. Larue District #1 shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
7. Notwithstanding ordering paragraphs 4 and 6, if surplus funds remain after the approved construction has been completed, Larue District #1 may use such surplus to construct additional plant facilities if USDA/RD approves of the use and the additional construction, and it will not result in a change in Larue District #1's rates for service. Larue District #1 shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
8. Larue District 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 costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

9. Larue District #1 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.

10. Larue District #1 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.

11. Larue District #1 shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

12. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 8, 9, and 11 of this Order shall reference this case number and shall be retained in the utility’s post-case correspondence file.

13. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Larue District #1’s showing of good cause for such extension.

14. The rates set forth in the Appendix to this Order are approved for service that Larue District #1 renders on and after the date of this Order.

15. Within 20 days of the date of this Order, Larue District #1 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.

16. Larue District #1 shall file an application for a traditional adjustment in rates or an alternative rate adjustment before July 2, 2021

17. This case is closed and removed from the Commission's docket.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

By the Commission

ENTERED
AUG 26 2020 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Acting Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2020-00234 DATED AUG 26 2020

The following rates and charges are prescribed for the customers in the area served by LaRue County Water District No. 1. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8- X 3/4-Inch Meter

First	1,000	Gallons	\$ 17.15	Minimum bill
Next	4,000	Gallons	7.93	per 1,000 Gallons
Next	5,000	Gallons	7.08	per 1,000 Gallons
All Over	10,000	Gallons	5.78	per 1,000 Gallons

3/4-Inch Meter

First	3,000	Gallons	\$ 32.97	Minimum bill
Next	2,000	Gallons	7.93	per 1,000 Gallons
Next	5,000	Gallons	7.08	per 1,000 Gallons
All Over	10,000	Gallons	5.78	per 1,000 Gallons

1-Inch Meter

First	5,000	Gallons	\$ 48.80	Minimum bill
Next	5,000	Gallons	7.08	per 1,000 Gallons
All Over	10,000	Gallons	5.78	per 1,000 Gallons

1 1/2-Inch Meter

First	10,000	Gallons	\$ 84.13	Minimum bill
All Over	10,000	Gallons	5.78	per 1,000 Gallons

2-Inch Meter

First	20,000	Gallons	\$ 141.82	Minimum bill
All Over	20,000	Gallons	5.78	per 1,000 Gallons

*Adam Scott

*Larue County Water District #1
6215 L & N Turnpike
Buffalo, KY 42716

*Tim Bartley
General Manager
Larue County Water District #1
6215 L & N Turnpike
Buffalo, KY 42716

*Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202