

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY WATER DISTRICT)
FOR A CERTIFICATE OF PUBLIC CONVENIENCE) CASE NO.
AND NECESSITY TO CONSTRUCT, FINANCE AND) 2013-00400
INCREASE RATES PURSUANT TO KRS 278.023)

ORDER

Big Sandy Water District ("Big Sandy") has applied to the Commission for a Certificate of Public Convenience and Necessity for a waterworks construction project, approval of its plan to finance the proposed project, and an adjustment of rates.

Big Sandy proposes to install approximately 5.8 miles of 12-inch and 10-inch Polyvinyl Chloride ("PVC") water transmission main, a 700-gallon-per-minute pump station, and appurtenances.¹ The proposed project will connect Big Sandy's water distribution system with the city of Ashland, Kentucky, and will provide Big Sandy with a second source of treated water. The total cost of the project, including construction costs, legal and administrative costs, engineering costs, interest, grant administration costs, and contingencies, is \$2,130,000.

Big Sandy proposes to finance the cost of the proposed construction project through the issuance and sale of \$1,165,000 of revenue bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, grants of \$440,000 from RD, and \$525,000 from the Kentucky Infrastructure Authority. The proposed Series A Bonds will mature over a 40-year period and will accrue interest at a rate not to exceed

¹ Big Sandy states in its application that the proposed construction consists of five miles of 10-inch water main. The bid tabulation sheet included in the final engineering report, however, indicates that the project will involve the construction of 2,160 linear feet of 12-inch PVC water main and of 28,600 linear feet of 10-inch PVC water main.

2.75 percent per annum. The proposed Series B Bonds will mature over a 40-year period and accrue interest at a rate not to exceed 3.75 percent per annum. To service the additional debt, Big Sandy proposes to increase its rates for water service. Under the proposed rates, the bill of a residential customer who uses 5,000 gallons monthly will increase from \$42.26 to \$50.02, or approximately 18.36 percent.

Big Sandy 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 Big Sandy, 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 when its proposed rates are unfair, unjust, or unreasonable.

Big Sandy's application met the minimum filing requirements of KRS 278.023 on November 13, 2013. 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. Big Sandy is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Big Sandy's proposed plan of financing is accepted.
3. Big Sandy is authorized to issue \$1,050,000 of Series A Bonds at an interest rate not to exceed 2.75 percent per annum and maturing over 40 years.
4. Big Sandy is authorized to issue \$115,000 of Series B Bonds at an interest rate not to exceed 3.75 percent per annum and maturing over 40 years.
5. The proceeds from the proposed bond issuances shall be used only for the purposes specified in Big Sandy's application.
6. Notwithstanding ordering paragraph 5, if surplus funds remain after the approved construction has been completed, Big Sandy 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 Big Sandy's rates for service. Big Sandy shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
7. Big Sandy 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.
8. Big Sandy 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.

9. Big Sandy shall notify the Commission, in writing, one week prior to the actual start of construction and at the 50 percent completion point.

10. The rates set forth in the Appendix to this Order are approved for service that Big Sandy renders on and after the date of this Order.

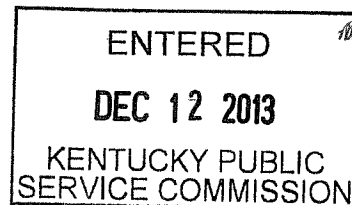
11. Within 30 days of the date of this Order, Big Sandy shall, using the Commissioner's Electronic Tariff Filing System, file revised tariff sheets with the Commission that set forth the rates contained in the Appendix to this Order.

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

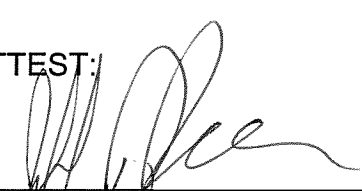
13. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by the Order upon Big Sandy's showing of good cause for such extension.

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:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2013-00400 DATED **DEC 12 2013**

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

5/8- x 3/4-Inch Meter

First	1,000 Gallons	\$16.62	Minimum Bill
Next	9,000 Gallons	8.35	per 1,000 Gallons
Next	10,000 Gallons	5.75	per 1,000 Gallons
Next	20,000 Gallons	5.33	per 1,000 Gallons
Over	40,000 Gallons	5.10	per 1,000 Gallons

1-Inch Meter

First	10,000 Gallons	\$91.77	Minimum Bill
Next	10,000 Gallons	5.75	per 1,000 Gallons
Next	20,000 Gallons	5.33	per 1,000 Gallons
Over	40,000 Gallons	5.10	per 1,000 Gallons

1 1/2-Inch Meter

First	20,000 Gallons	\$149.27	Minimum Bill
Next	20,000 Gallons	5.33	per 1,000 Gallons
Over	40,000 Gallons	5.10	per 1,000 Gallons

2-Inch Meter

First	40,000 Gallons	\$255.87	Minimum Bill
Over	40,000 Gallons	5.10	per 1,000 Gallons

3-Inch Meter

First	100,000 Gallons	\$561.87	Minimum Bill
Over	100,000 Gallons	5.10	per 1,000 Gallons

4-Inch Meter

First	200,000 Gallons	\$1,071.87	Minimum Bill
Over	200,000 Gallons	5.10	per 1,000 Gallons

Wholesale Service

\$4.80 per 1,000 Gallons

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