

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTH SHELBY	)	
WATER COMPANY FOR A CERTIFICATE OF	)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO	)	2017-00339
CONSTRUCT, FINANCE AND INCREASE RATES	)	
PURSUANT TO THE PROVISIONS OF KRS	)	
278.020 AND KRS 278.023.	)	

ORDER

On August 25, 2017, North Shelby Water Company (“North Shelby”) submitted an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity (“CPCN”) to construct an improvement project, for approval of financing of the proposed project, and to increase rates. By letter dated September 6, 2017, the Commission notified North Shelby that its application was rejected because it contained certain filing deficiencies. On September 7, 2017, North Shelby submitted additional information to correct the filing deficiencies, and the application was deemed filed as of September 7, 2017. No person has sought intervention in this matter, and North Shelby has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

North Shelby, a water association organized under KRS Chapter 273, provides retail water service to approximately 5,023 customers in Franklin, Henry, Oldham, and Shelby Counties, Kentucky.<sup>1</sup>

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<sup>1</sup> *Annual Report of North Shelby Water Company, Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2016* at 12 and 48.

North Shelby's application for a CPCN proposes to replace the existing 100,000-gallon water storage tank with a new 750,000-gallon elevated water storage tank. Located in Bagdad, Kentucky, the new water storage tank is proposed to be located adjacent to the tank it is replacing.<sup>2</sup>

The initial total estimated cost of the project, including legal, administrative, development, land and rights, and engineering, plus interest and contingencies costs, was \$2,525,000.<sup>3</sup> However, the bids received on the project were less than the anticipated project costs; thus the amount requested for financing has been reduced to \$1,988,000.<sup>4</sup>

North Shelby proposes to finance construction of the project with the issuance of a \$1,988,000 Promissory Note to the United States Department of Agriculture ("USDA") Rural Development ("RD") for a 40-year period at an interest rate not to exceed 2.375 percent per annum.<sup>5</sup>

North Shelby's proposed rates meet the total revenue requirements recommended in the engineering reports. The monthly bill of an average residential water customer using 5,000 gallons of water will increase from \$42.54 to \$44.50, or by approximately 4.6 percent.

North Shelby has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.190, and KRS 278.300, KRS 278.023

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<sup>2</sup> Application, Preliminary Engineering Report, East West Connector-Phase IV at Section VI, Proposed Project.

<sup>3</sup> Application, Exhibit 1, RD Letter of Conditions, Oct. 25, 2016 at 10.

<sup>4</sup> Application, Exhibit 1, RD Amended Letter of Conditions, Aug. 9, 2017, at 1.

<sup>5</sup> RD Letter, filed in response to Ky PSC Deficiency Letter on Sept. 7, 2017.

requires the Commission to accept agreements between water associations 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 North Shelby, or to defer the issuance of all necessary orders to implement the terms of the agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water association's proposed facilities will result in the wasteful duplication of facilities or excessive investment or its proposed water 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.

Having reviewed the record and being sufficiently advised, the Commission finds that:

1. The record for this case is complete.
2. North Shelby is an entity authorized to submit an application for Commission approval of a federally funded construction project pursuant to KRS 278.023.
3. The proposed construction will not result in wasteful duplication of existing facilities.
4. The proposed construction does not conflict with any existing certificates or service of any other utility operating in the area.

5. Public convenience and necessity require the proposed construction, which will allow North Shelby to continue providing reliable and adequate water service to its customers.

6. The project will be financed through the issuance of a Promissory Note to RD.

7. The proposed rates contained in the application are the minimum rates and charges required under the agreement with RD.

IT IS THEREFORE ORDERED that:

1. North Shelby is granted a CPCN for the proposed project as submitted.

2. North Shelby's proposed plan of financing is approved.

3. North Shelby is authorized to issue a Promissory Note in an amount not to exceed \$1,998,000 to RD, maturing over a 40-year period, at an interest rate equal to the lower of the rate in effect at the time of loan approval, or the interest rate in effect at the time of closing, but not to exceed 2.375 percent per annum.

4. The proceeds from the note shall be used only for the purposes specified in North Shelby's application.

5. North Shelby 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, North Shelby 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 North Shelby's rates for service. North Shelby

shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. North Shelby 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. North Shelby 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.

9. North Shelby 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.

10. North Shelby 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 North Shelby renders on and after the date of this Order.

12. Within 20 days of the date of this Order, North Shelby 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 7, 8, and 10 of this Order shall reference this case number and shall be retained in the utility's post-case correspondence file.

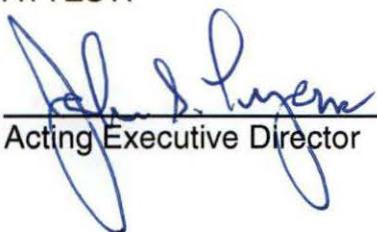
14. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon North Shelby's showing of good cause for such extension.

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

Case No. 2017-00339

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00339 DATED **SEP 22 2017**

The following rates and charges are prescribed for the customers in the area served by North Shelby Water Company. 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-Inch x 3/4-Inch Meter

First	2,000 gallons	\$22.24	Minimum bill
Next	3,000 gallons	7.42	per 1,000 gallons
Next	5,000 gallons	6.04	per 1,000 gallons
Next	40,000 gallons	5.35	per 1,000 gallons
Over	50,000 gallons	4.67	per 1,000 gallons

#### 1-Inch Meter

First	5,000 gallons	\$44.50	Minimum bill
Next	5,000 gallons	6.04	per 1,000 gallons
Next	40,000 gallons	5.35	per 1,000 gallons
Over	50,000 gallons	4.67	per 1,000 gallons

#### 1 1/2-Inch Meter

First	10,000 gallons	\$74.70	Minimum bill
Next	40,000 gallons	5.35	per 1,000 gallons
Over	50,000 gallons	4.67	per 1,000 gallons

#### 2-Inch Meter

First	15,000 gallons	\$101.45	Minimum bill
Next	35,000 gallons	5.35	per 1,000 gallons
Over	50,000 gallons	4.67	per 1,000 gallons

#### 3-Inch Meter

First	35,000 gallons	\$208.45	Minimum bill
Next	15,000 gallons	5.35	per 1,000 gallons
Over	50,000 gallons	4.67	per 1,000 gallons

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