

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EDMONSON COUNTY WATER)	
DISTRICT, EDMONSON, WARREN, GRAYSON AND)	
HART COUNTIES, KENTUCKY FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY AUTHORIZING CONSTRUCTION OF)	2014-00175
MAJOR ADDITIONS AND IMPROVEMENTS TO ITS)	
WATER SYSTEM AND SEEKING APPROVAL OF)	
THE ISSUANCE OF CERTAIN SECURITIES.)	

ORDER

Edmonson County Water District ("ECWD") has applied to the Commission for a Certificate of Public Convenience and Necessity ("CPCN") to construct a waterworks improvements project, for approval of its plan to finance the proposed project, and for an adjustment of water and sewer rates.

ECWD proposes to construct approximately 11,515¹ linear feet of three- and four-inch waterline and appurtenances along Raider Hollow Road, KY 889, Lester Gardner Road, and Willie Rhea Road. ECWD will serve nine new customers as a result of this construction. ECWD also proposes to upgrade the Cub Run pressure-reducing valve, to replace the Cub Run booster pumping station, to install a four-inch pressure-reducing/check valve at Anneta Road, and to install bypass piping in the existing Bee Springs booster pumping station. The project also includes modifications to the existing Nolin Lake raw-water intake low-level screen for the Wax Water Treatment Plant. The existing Nolin Lake raw-water intake low-level screen has experienced excessive siltation. This modification, which includes the installation of an air compressor and an

¹ This figure is based on the amounts listed in the bid tabulation sheets.

ultrasonic flow meter, is intended to assist ECWD with continued withdrawal of raw water during low lake levels. The proposed project is needed to help ECWD provide reliable and adequate water service to its customers. The total cost of the project, including legal and administrative, development cost, engineering costs, interest and contingencies, is \$950,000.

ECWD intends to finance the proposed construction with the proceeds of the issuance and sale of \$664,000 of revenue bonds consisting of \$504,000 of Series 2013A Bonds and \$160,000 of Series 2013B Bonds to Rural Development (“RD”), an agency of the U.S. Department of Agriculture, and a grant from RD in the amount of \$286,000. The proposed Series 2013A Bonds will mature over a 40-year period and accrue interest at a rate not to exceed 2.125 percent per annum, and the proposed Series 2013B Bonds will mature over a 40-year period and accrue interest at a rate not to exceed 3.25 percent per annum. Under the June 12, 2013 letter of conditions established by RD, ECWD is required to increase both its water and sewer rates to qualify for the RD loan and grant.² Under the proposed rates, the monthly bill of a residential water customer who uses 5,000 gallons will increase from \$27.75 to \$30.15, or approximately 8.64 percent. Further, the monthly bill of a residential sewer customer using 5,000 gallons, will increase from \$24.73 to \$30.15, or approximately 21.94 percent, and the monthly bill of a non-residential sewer customer using 5,000 gallons will increase from \$37.11 to \$45.23, or approximately 21.86 percent. Pursuant to ECWD’s customer notice, the rates are to be effective August 4, 2014.³

² Application, Exhibit G.

³ Application, Exhibit E. Notice.

ECWD 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 ECWD, 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 that its proposed rates are unfair, unjust, or unreasonable.

ECWD's application met the minimum filing requirements of KRS 278.023 on May 29, 2014. 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. ECWD is granted a CPCN for the proposed construction project.
2. ECWD's proposed plan of financing is accepted.
3. ECWD is authorized to issue \$664,000 of its Waterworks Revenue Bonds, consisting of \$504,000 of Series 2013A Bonds maturing over 40 years at an interest rate not exceeding 2.125 percent per annum, and \$160,000 of Series 2013B Bonds maturing over 40 years at an interest rate not exceeding 3.25 percent per annum.

4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in ECWD's application.

5. ECWD shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

6. Notwithstanding ordering paragraph 5, if surplus funds remain after the approved construction has been completed, ECWD 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 ECWD's rates for service. ECWD shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. ECWD 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. ECWD 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. ECWD 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 ECWD renders on and after August 4, 2014.

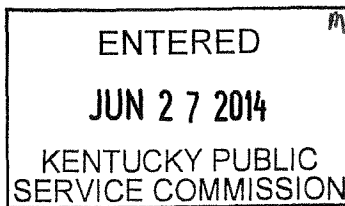
11. Within 20 days of the date of this Order, ECWD shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates set forth in the Appendix to this Order.

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.

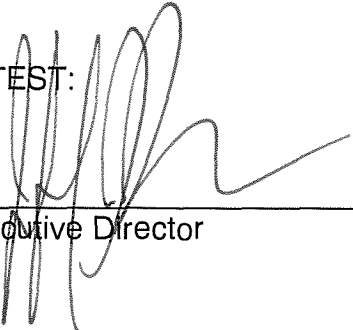
13. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by the Order upon ECWD's showing of good cause for such extension.

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. 2014-00175 DATED JUN 27 2014

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

Water Rates

Retail Rates

First 1,500 Gallons	\$ 13.00 Minimum Bill
Over 1,500 Gallons	4.90 Per 1,000 Gallons

Wholesale Rate

City of Brownsville	\$ 2.90 Per 1,000 Gallons
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Sewer Rates

Sewer Residential

First 1,500 Gallons	\$ 13.00 Minimum Bill
Over 1,500 Gallons	4.90 Per 1,000 Gallons

Sewer Non-Residential

First 1,500 Gallons	\$ 19.50 Minimum Bill
Over 1,500 Gallons	7.35 Per 1,000 Gallons