

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NICHOLAS COUNTY WATER	)	
DISTRICT FOR A CERTIFICATE OF PUBLIC	)	CASE NO.
CONVENIENCE AND NECESSITY TO CONSTRUCT,	)	2014-00325
FINANCE AND INCREASE RATES PURSUANT TO	)	
KRS 278.023	)	

ORDER

Nicholas County Water District (“Nicholas District”) has applied to the Commission for a Certificate of Public Convenience and Necessity (“CPCN”) to construct the Phase X Water System Improvements Project, for approval of its plan to finance the proposed project, and for an adjustment of rates. Nicholas District’s application met the minimum filing requirements of KRS 278.023 on September 11, 2014.

Nicholas District proposes the construction and installation of approximately 16,000 linear feet of six-inch polyvinyl chloride (“PVC”) water main to replace an existing line on Headquarters Road, and the installation of approximately 3,000 linear feet of four-inch PVC water main and approximately 200 linear feet of four-inch ductile iron pipe to replace an existing line on Crooked Creek Road. One additional customer will be added as a result of this project. The proposed improvement project will provide improved water service to approximately 35 existing customers. The total cost of the proposed Phase X project, including legal, administrative, development, engineering, and contingencies, is approximately \$318,906.

Nicholas District further proposes, as part of this project, to refinance approximately \$621,094 of the short-term debt incurred to fund a waterworks construction project known as the Phase IX Project, which was certificated by the Commission in Case No. 2009-00126.<sup>1</sup> The total cost of the Phase X project and the refinancing of the existing short-term debt from the Phase IX Project is \$940,000.<sup>2</sup>

Nicholas District proposes to finance the total cost of the proposed construction and refinancing with the proceeds of the issuance and sale of \$555,000 of its Waterworks Revenue Bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, an RD grant in the amount of \$200,000, and a Tobacco Settlement grant in the amount of \$185,000. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 2.75 percent per annum. Under the proposed rates, the monthly water bill of a residential customer who uses 5,000 gallons will increase from \$36.23 to \$38.92, or approximately 7.43 percent.

Nicholas 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 Nicholas District, or to

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<sup>1</sup> Case No. 2009-00126, *Application of the Nicholas County Water District for a Certificate of Public Convenience and Necessity to Construct an Improvements Project Pursuant to KRS 278.020* (Ky. PSC May 21, 2009), Application, paragraph 4.

<sup>2</sup> *Id.*

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. 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. Nicholas District is granted a CPCN for the proposed construction project.
2. Nicholas District's proposed plan of financing is approved.
3. Nicholas District is authorized to issue \$555,000 of its Waterworks Revenue Bonds maturing over 40 years at an interest rate not exceeding 2.75 percent per annum.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Nicholas District's application.
5. Nicholas District 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 Phase X construction project has been completed, Nicholas District 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 Nicholas District's rates for service. Nicholas District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Nicholas District shall file with the Commission documentation of the total cost of the Phase X 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. Nicholas 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.

9. Nicholas 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.

10. Nicholas District 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 Nicholas District renders on and after the date of this Order.

12. Within 20 days of the date of this Order, Nicholas District 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 6, 7, 8, and 10 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

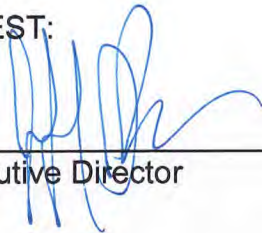
14. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Nicholas District's showing of good cause for such extension.

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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Executive Director

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00325 DATED **OCT 09 2014**

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

#### Monthly Rates

##### 5/8- X 3/4-Inch Meter

First 1,000	\$14.42 Minimum Bill
Next 2,000	6.75 per 1,000 gallons
Next 2,000	5.50 per 1,000 gallons
Next 5,000	4.35 per 1,000 gallons
Next 15,000	3.90 per 1,000 gallons
Over 25,000	3.67 per 1,000 gallons

##### 1-Inch Meter

First 3,000	\$27.92 Minimum Bill
Next 2,000	5.50 per 1,000 gallons
Next 5,000	4.35 per 1,000 gallons
Next 15,000	3.90 per 1,000 gallons
Over 25,000	3.67 per 1,000 gallons

##### 1 1/2-Inch Meter

First 5,000	\$38.92 Minimum Bill
Next 5,000	4.35 per 1,000 gallons
Next 15,000	3.90 per 1,000 gallons
Over 25,000	3.67 per 1,000 gallons

##### 2-Inch Meter

First 10,000	\$60.67 Minimum Bill
Next 15,000	3.90 per 1,000 gallons
Over 25,000	3.67 per 1,000 gallons

##### 3-Inch Meter

First 15,000	\$80.17 Minimum Bill
Next 10,000	3.90 per 1,000 gallons
Over 25,000	3.67 per 1,000 gallons

4-Inch Meter  
First 25,000  
Over 25,000

\$119.17 Minimum Bill  
3.67 per 1,000 gallons

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