

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                       |   |            |
|---------------------------------------|---|------------|
| APPLICATION OF THE MCCREARY COUNTY    | ) |            |
| WATER DISTRICT FOR A CERTIFICATE OF   | ) | CASE NO.   |
| PUBLIC CONVENIENCE AND NECESSITY TO   | ) | 2015-00053 |
| CONSTRUCT, FINANCE AND INCREASE RATES | ) |            |
| PURSUANT TO KRS 278.023               | ) |            |

ORDER

McCreary County Water District ("MCWD") has applied to the Commission for a Certificate of Public Convenience and Necessity ("CPCN") to construct an improvements project, for approval of its plan to finance the proposed project, and for an adjustment of water and sewer rates. MCWD's application met the minimum filing requirements of KRS 278.023 on February 24, 2015.

This project consists of Phase 2 improvements to MCWD's Water Treatment Plant No. 1 ("WTP No.1") and an upgrade to the Rattlesnake Ridge Pump Station.<sup>1</sup> MCWD WTP No.1 improvements consist of the construction of a new clearwell, high service/backwash pump building, and a carbon feed system.<sup>2</sup> WTP No. 1, which has been in operation since 1964, is one of two water treatment plants that provide MCWD's total water production.<sup>3</sup> This project also includes the demolition of WTP No. 1's two existing steel clearwells, which suffer corrosion and deterioration.<sup>4</sup> The proposed

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<sup>1</sup> Final Engineering Report, Final Project Budget.

<sup>2</sup> Application at 4.

<sup>3</sup> Preliminary Engineering Report, Existing Facilities.

<sup>4</sup> *Id.*, Need For The Project.

improvements will allow MCWD to provide a reliable water supply and reliable service to its customers. The total cost of the project, including legal, administrative, development, and engineering costs, plus interest and contingencies, is \$2,097,000.<sup>5</sup>

MCWD proposes to finance the proposed construction with the proceeds of the issuance and sale of \$1,158,000 of its Waterworks Revenue Bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, and an RD grant in the amount of \$939,000. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 3.25 percent per annum. Under the proposed rates, the monthly bill of a residential water customer who uses 5,000 gallons will increase from \$36.10 to \$40.60, or approximately 12.5 percent. Further, the monthly bill of a residential sewer customer using 5,000 gallons will increase from \$33.25 to \$39.60, or approximately 19 percent.

MCWD 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 MCWD, 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

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<sup>5</sup> Final Engineering Report, Final Project Budget.

duplication of facilities or 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. MCWD is granted a CPCN for the proposed construction project.
2. MCWD's proposed plan of financing is approved.
3. MCWD is authorized to issue \$1,158,000 of its Waterworks Revenue 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 MCWD's application.
5. MCWD 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, MCWD 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 MCWD's rates for service. MCWD shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
7. MCWD 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. MCWD 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. MCWD 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. MCWD 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 MCWD renders on and after the date of this Order.

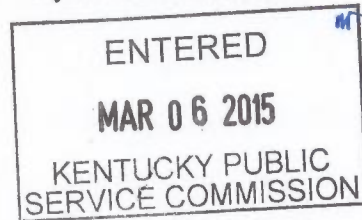
12. Within 20 days of the date of this Order, MCWD shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets containing the rates set forth in the Appendix to this Order.

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 the filing of any documents required by this Order upon MCWD'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:

*Stephanie Belle*

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2015-00053 DATED **MAR 06 2015**

The following rates and charges are prescribed for the customers in the area served by McCreary 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 Water Rates

Residential and Non-Residential

|       |               |                        |
|-------|---------------|------------------------|
| First | 2,000 gallons | \$20.35 Minimum bill   |
| Over  | 2,000 gallons | 6.75 per 1,000 gallons |

Federal Correction Facility

|       |                   |                          |
|-------|-------------------|--------------------------|
| First | 1,950,000 gallons | \$13,162.50 Minimum bill |
| Over  | 1,950,000 gallons | 6.75 per 1,000 gallons   |

Cumberland Falls State Park

|       |                 |                         |
|-------|-----------------|-------------------------|
| First | 600,000 gallons | \$2,600.00 Minimum bill |
| Over  | 600,000 gallons | 4.25 per 1,000 gallons  |

Monthly Sewer Rates

Residential and Non-Residential

|       |                |                        |
|-------|----------------|------------------------|
| First | 2,000 gallons  | \$19.35 Minimum bill   |
| Next  | 18,000 gallons | 6.75 per 1,000 gallons |
| Over  | 20,000 gallons | 6.00 per 1,000 gallons |

Federal Correction Facility

|       |                   |                         |
|-------|-------------------|-------------------------|
| First | 1,300,000 gallons | \$7,762.50 Minimum bill |
| Over  | 1,300,000 gallons | 6.75 per 1,000 gallons  |

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