

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE NORTH MARSHALL WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO CONSTRUCT,)	2015-00195
FINANCE AND INCREASE RATES PURSUANT TO)	
KRS 278.023)	

ORDER

North Marshall Water District (“North Marshall”) has applied to the Commission for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a waterworks improvement project, for approval of its plan to finance the proposed project, and for an increase of water rates. North Marshall’s application met the minimum filing requirements of KRS 278.023 on June 24, 2015.

This project consists of: the construction and installation of a new 250,000-gallon elevated water storage tank; rehabilitation to existing Moors Camp, Bethel Church, Gilbertsville, and Kenbar water storage tanks;¹ the installation of approximately 12.5 miles of polyvinyl chloride water mains through North Marshall’s system; and electrical and telemetry upgrades to the Tatumsville pumping station.² The proposed project will assist North Marshall in improving the reliability and quality of water service to its existing customers. The proposed project will also serve to replace the Draffenville water storage tank, which has been demolished, and give North Marshall the option of

¹ Application, Technical Specifications, Water Tower Rehabilitations, at 154-165.

² Application at 1.

removing the Prime Battery water storage tank.³ The total cost of the project, including legal, administrative, development, and engineering costs, plus interest and contingencies, is approximately \$5,000,000.⁴ Included in the cost is the restructuring of an existing \$390,000 loan.⁵

North Marshall proposes to finance the proposed construction with the proceeds of the issuance and sale of \$3,850,000 of its Waterworks Revenue Bonds consisting of \$2,850,000 of Series A Bonds and \$1,000,000 of Series B Bonds to Rural Development (“RD”), an agency of the U.S. Department of Agriculture, and an RD grant in the amount of \$1,150,000. The proposed Series A and Series B Bonds will mature over a 40-year period with an interest rate not to exceed 2.75 percent per annum for both series of Bonds. Under the proposed rates, the monthly bill of a residential water customer who uses 5,000 gallons will increase from \$26.14 to \$29.14, or approximately 11.5 percent.

North Marshall 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 North Marshall, or to defer the issuance of all necessary orders to implement the terms of that agreement. It

³ Application, Preliminary Engineering Review Revision 1 at 3 and 6.

⁴ Final Engineering Report at 1.

⁵ *Id.*, Letter from Thomas Fern, State Director, RD, to Jerry Miller, Chairman, North Marshall, at 10 (July 26, 2013).

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 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. North Marshall is granted a CPCN for the proposed construction project.
2. North Marshall's proposed plan of financing is approved.
3. North Marshall is authorized to issue \$3,850,000 of its Waterworks Revenue Bonds consisting of \$2,850,000 of Series A Bonds and \$1,000,000 of Series B Bonds maturing over 40 years at an interest rate not exceeding 2.75 percent per annum for both series Bonds.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in North Marshall's application.
5. North Marshall 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 Marshall 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 Marshall's rates for service. North Marshall shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. North Marshall 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 Marshall 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 Marshall 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 Marshall 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 Marshall renders on and after the date of this Order.

12. Within 20 days of the date of this Order, North Marshall 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 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 North Marshall'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

ENTERED
JUL 20 2015
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00195 DATED **JUL 20 2015**

The following rates and charges are prescribed for the customers in the area served by North Marshall 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 debt service charge	\$ 3.00 per customer
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