

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER	)	
DISTRICT NO. 2 SEEKING; (1) A CERTIFICATE	)	
OF PUBLIC CONVENIENCE AND NECESSITY	)	
AUTHORIZING CONSTRUCTION OF MAJOR	)	
ADDITIONS AND IMPROVEMENTS TO ITS	)	
WATER SYSTEM; (2) APPROVAL OF REVISED	)	CASE NO.
WATER SERVICE RATES AND CHARGES; AND	)	2016-00148
(3) AUTHORIZING THE ISSUANCE OF CERTAIN	)	
SECURITIES, PURSUANT TO THE PROVISIONS	)	
OF KRS 278.023 AND 807 KAR 5:069	)	

ORDER

Hardin County Water District No. 2 (“Hardin District”) 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 in water rates to be effective July 1, 2017. Hardin District’s application met the minimum filing requirements on April 21, 2016.

This project consists of multiple individually bid contracts that would result in the installation of approximately 43,000 linear feet of 24-inch ductile iron pipe and appurtenances (Contract 27)<sup>1</sup> and construction of a pump station (Contract 26).<sup>2</sup>

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<sup>1</sup> Specifications and Contract Documents for Hardin County Water District No. 2 Louisville Water Company Supplementary Supply Contract 27 – 24-Inch Transmission Pipeline, produced by Kenvirons, Inc., January 2014, page 00100-1.

<sup>2</sup> Specifications and Contract Documents for Hardin County Water District No. 2 Louisville Water Company Supplementary Supply Contract 26 – Colesburg Pump Station, produced by Kenvirons, Inc., January 2014, page 00100-1.

Construction costs, based on bids received by Hardin District on March 9, 2016, are \$1,574,624 for Contract 26 and \$6,000,000 for Contract 27. The total project cost, including costs for administrative, legal, engineering, interest, construction, and contingencies, is \$9,592,593.<sup>3</sup>

Hardin District proposes to finance the proposed construction with the proceeds of the issuance of its water system revenue bonds of \$5,000,000 (the "Series 2016A Bonds") to the United States of America, acting by and through the U. S. Department of Agriculture ("USDA") Rural Development ("RD") for a 40-year period at an interest rate not to exceed 4.125 percent per annum,<sup>4</sup> a Base Realignment Authority Committee ("BRAC") grant of \$5,000,000, a Kentucky Infrastructure Authority ("KIA")-administered grant of \$500,000, and an applicant contribution of \$4,500,000.<sup>5</sup>

The application for Hardin District includes \$9,592,593 and a funding package of \$15,000,000. Hardin District plans to use the remaining \$5,407,407 for additional projects.<sup>6</sup>

Hardin 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.

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<sup>3</sup> Application, Exhibit 4, Final Engineering Report by Kenvirons, Inc., March 2016.

<sup>4</sup> Application at 4-5.

<sup>5</sup> Application, Exhibit 4, Final Engineering Report by Kenvirons, Inc., March 2016.

<sup>6</sup> \$15,000,000 - \$9,592,593 = \$5,407,407.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Hardin District, or to defer the issuance of all necessary order 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 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. Hardin District is granted a CPCN for the proposed construction as set forth in its application.
2. Hardin District's proposed plan of financing is approved.
3. Hardin District is authorized to issue \$5,000,000 of its water system revenue bonds maturing over 40 years at an interest rate not exceeding 4.125 percent per annum.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Hardin District's application.
5. Hardin District 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, Hardin 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 Hardin District's rates for service. Hardin District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Hardin District 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. Hardin 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 the substantial completion of the construction certificated herein.

9. Hardin District shall require construction to be inspected under the general supervision of a licensed 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. Hardin 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 Hardin District renders effective July 1, 2017. Previous Orders relating to rates set for service remain in effect until July 1, 2017.

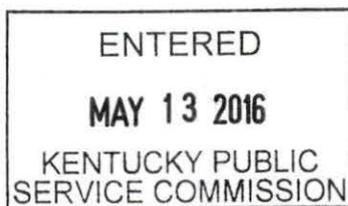
12. Within 20 days of the date of this Order, Hardin District shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing its current rates and the rates set forth in the Appendix to this Order for service rendered effective July 1, 2017.

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 Hardin District'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 Hardin District 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:



Acting Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2016-00148 DATED **MAY 13 2016**

The following rates and charges are prescribed for the customers in the area served by Hardin County Water District No. 2. 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

5/8- x 3/4-Inch Meter

First	2,000 gallons	\$	18.50	Minimum bill
Next	498,000 gallons		5.15	per 1,000 gallons
All Over	500,000 gallons		2.90	per 1,000 gallons

1-Inch Meter

First	5,000 gallons	\$	33.95	Minimum bill
Next	495,000 gallons		5.15	per 1,000 gallons
All Over	500,000 gallons		2.90	per 1,000 gallons

1 1/2-Inch Meter

First	10,000 gallons	\$	59.70	Minimum bill
Next	490,000 gallons		5.15	per 1,000 gallons
All Over	500,000 gallons		2.90	per 1,000 gallons

2-Inch Meter

First	20,000 gallons	\$	111.20	Minimum bill
Next	480,000 gallons		5.15	per 1,000 gallons
All Over	500,000 gallons		2.90	per 1,000 gallons

3-Inch Meter

First	30,000 gallons	\$	162.70	Minimum bill
Next	470,000 gallons		5.15	per 1,000 gallons
All Over	500,000 gallons		2.90	per 1,000 gallons

4-Inch Meter

First	50,000 gallons	\$	265.70	Minimum bill
Next	450,000 gallons		5.15	per 1,000 gallons
All Over	500,000 gallons		2.90	per 1,000 gallons

6-Inch Meter

First	100,000	gallons	\$ 523.20	Minimum bill
Next	400,000	gallons	5.15	per 1,000 gallons
All Over	500,000	gallons	2.90	per 1,000 gallons

8-Inch Meter

First	150,000	gallons	\$ 780.70	Minimum bill
Next	350,000	gallons	5.15	per 1,000 gallons
All Over	500,000	gallons	2.90	per 1,000 gallons

10-Inch Meter

First	250,000	gallons	\$ 1,295.70	Minimum bill
Next	250,000	gallons	5.15	per 1,000 gallons
All Over	500,000	gallons	2.90	per 1,000 gallons

12-Inch Meter

First	400,000	gallons	\$ 2,068.20	Minimum bill
Next	100,000	gallons	5.15	per 1,000 gallons
All Over	500,000	gallons	2.90	per 1,000 gallons

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