

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION OF JACKSON COUNTY WATER)	
ASSOCIATION FOR A CERTIFICATE OF)	CASE NO.
CONVENIENCE AND NECESSITY, FINANCING AND)	2017-00182
ADJUSTMENT OF RATES PURSUANT TO KRS)	
278.023)	

ORDER

Jackson County Water Association, Inc. ("Jackson County") 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. Jackson County's application met the minimum filing requirements of KRS 278.023 on May 4, 2017.

The proposed project consists of the installation of approximately 26,750 linear feet of 8-inch polyvinyl chloride ("PVC") water line, 70 linear feet of 8-inch ductile iron water line, 7,970 linear feet of 6-inch PVC water line, 80 linear feet of 6-inch ductile iron water line, 60 linear feet of 4-inch PVC water line, and 80 linear feet of 4-inch ductile iron water line. The proposed project also includes improvements to a current pump station, installation of two new pump stations, construction of a 100,000-gallon elevated water storage tank and construction of a 500,000-gallon elevated storage water tank. Further, the proposed project consists of the extension of approximately 19.1 miles of 3-inch and 4-inch water lines to serve an estimated 92 customers.

The proposed project will enable Jackson County to serve previously unserved areas, provide safe and reliable service to existing customers, and, in the future, to extend its distribution system to residents who do not have potable water service.¹

The total cost of the project, including legal, administrative, development, and engineering work, plus interest and contingencies, is \$5,300,000. This project is to be financed with a \$3,907,000 promissory note, a \$905,000 grant from the United States Department of Agriculture, Rural Utilities Service, Rural Development (“RD”) and an applicant contribution in the amount of \$488,000. Jackson County has a commitment from RD to purchase the \$3,907,000 promissory note. As set out in the RD Letter of Conditions as amended,² the \$3,907,000 promissory note will mature over a 40-year period at an interest rate not to exceed 2.1250 percent per annum, but will be equal to the lower of the rate in effect at the time of loan approval, or the rate in effect at the time of closing.³

Under the proposed rates, the monthly bill of a residential water customer using 5,000 gallons of water will increase from \$47.67 to \$55.70, or approximately 16.85 percent.

Jackson County has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water associations and RD regarding construction projects, and to issue the necessary orders to implement the terms

¹ Application (filed May 4, 2017), at Exhibit 1, Kenvirons, Inc., Final Engineering Report and Addendum.

² *Id.* at Exhibit 2.

³ Supplemental Filing (filed May 19, 2017), Request for Obligation of Funds at 1.

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 Jackson County, 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 association'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. Jackson County is granted a CPCN for the proposed project as submitted.
2. Jackson County's proposed plan of financing is approved.
3. Jackson County is authorized to enter into a promissory note with RD in the amount of \$3,907,000, maturing over a 40-year period, at an interest rate not to exceed 2.1250 percent per annum and to be equal to the lower of the rate in effect at the time of loan approval, or the interest rate in effect at the time of closing.
4. The proceeds from the promissory note shall be used only for the purposes specified in Jackson County's application.
5. Jackson County 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, Jackson County 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 Jackson County's rates for service. Jackson County shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Jackson County 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. Jackson County 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. Jackson County 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. Jackson County 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 Jackson County renders on and after the date of this Order.

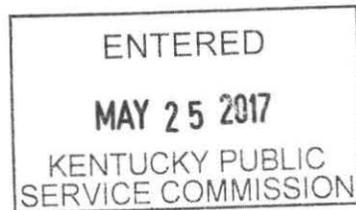
12. Within 20 days of the date of this Order, Jackson County shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates set forth in the Appendix to this Order.

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 post case 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 Jackson County'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 A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00182 DATED **MAY 25 2017**

The following rates and charges are prescribed for the customers in the area served by Jackson County Water Association, Inc. 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-Inch x 3/4-Inch Meter

First	2,000	gallons	\$ 24.05	Minimum bill
Next	18,000	gallons	10.55	per 1,000 gallons
Next	30,000	gallons	8.74	per 1,000 gallons
All Over	50,000	gallons	6.84	per 1,000 gallons

1-Inch Meter

First	5,000	gallons	\$ 55.70	Minimum bill
Next	15,000	gallons	10.55	per 1,000 gallons
Next	30,000	gallons	8.74	per 1,000 gallons
All Over	50,000	gallons	6.84	per 1,000 gallons

1 1/2-Inch Meter

First	10,000	gallons	\$ 108.45	Minimum bill
Next	10,000	gallons	10.55	per 1,000 gallons
Next	30,000	gallons	8.74	per 1,000 gallons
All Over	50,000	gallons	6.84	per 1,000 gallons

2-Inch Meter

First	20,000	gallons	\$ 213.95	Minimum bill
Next	30,000	gallons	8.74	per 1,000 gallons
All Over	50,000	gallons	6.84	per 1,000 gallons

3-Inch Meter

First	30,000	gallons	\$ 301.35	Minimum bill
Next	20,000	gallons	8.74	per 1,000 gallons
All Over	50,000	gallons	6.84	per 1,000 gallons

4-Inch Meter

First	40,000	gallons	\$ 388.75	Minimum bill
Next	10,000	gallons	8.74	per 1,000 gallons
All Over	50,000	gallons	6.84	per 1,000 gallons

*Jackson County Water Association, Inc.
U. S. Highway 421 South
P. O. Box 232
Tyner, KY 40486

*Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KENTUCKY 40601