

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE MEADE COUNTY WATER)	
DISTRICT FOR: (1) A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY AUTHORIZING)	
CONSTRUCTION OF ADDITIONS AND)	CASE NO.
IMPROVEMENTS TO ITS WATER SYSTEM; (2))	2017-00380
APPROVAL OF REVISED WATER SERVICE RATES)	
AND CHARGES; AND (3) AUTHORIZING THE)	
ISSUANCE OF CERTAIN SECURITIES, PURSUANT)	
TO THE PROVISIONS OF KRS 278.023 AND 807)	
KAR 5:069)	

ORDER

On September 18, 2017, Meade County Water District (“Meade County”) filed an application, pursuant to KRS 278.023, 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 the water rates. No person has sought intervention in this matter, and Meade County has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

The Commission notes that in its 2016 Annual Report, Meade County reported a water loss of 15.8472 percent. Commission regulation 807 KAR 5:066, Section 6 (3) states that for ratemaking purposes a utility's unaccounted-for water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Meade County to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Meade County to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Meade County, a water district organized under KRS Chapter 74, provides retail water service to approximately 5,082 customers in Meade County, Kentucky.¹

The proposed project consists of the installation of approximately 25,120 feet of 12-inch polyvinyl chloride ("PVC") water line, 1,325 feet of 12-inch ductile iron water line, 150 feet of 8-inch PVC water line and 410 feet of 6-inch PVC water line. The project also includes construction of a duplex booster pump station with a capacity of 1,100 gallons per minute.

Meade County currently purchases approximately 40 percent of its water from the city of Brandenburg ("COB") and approximately 60 percent of its water from Hardin County Water District No. 1 ("HCWD1"). HCWD1 plans to switch to a different chemical to be used as a disinfectant in its water treatment process, which will leave the finished water incompatible with the water supply from COB. The proposed project will allow Meade County to purchase all of its water from HCWD1 to supply Meade County's distribution system. The proposed project will improve water quality, reduce disinfection

¹ *Annual Report of Meade County District, Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2016* at 12 and 48.

byproducts in the drinking water, maintain a consistent disinfection approach throughout the distribution system, and meet existing and future system demands.²

The total cost of the project, including legal, administrative, development, and engineering, plus interest and contingencies cost, is \$2,000,000. This project is to be financed with a \$2,000,000 promissory note to the United States Department of Agriculture, Rural Utilities Service, Rural Development (“RD”). Meade County has a commitment from RD to purchase the \$2,000,000 promissory note. As set out in the RD Letter of Conditions as amended,³ the \$2,000,000 promissory note will mature over a 40-year period at an interest rate 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, but not to exceed 2.75 percent per annum.⁴

Under the proposed rates, the monthly bill of a residential water customer using 5,000 gallons of water will increase from \$40.43 to \$43.98, or approximately 8.78 percent.

Meade County has submitted its application pursuant to KRS 278.023 and 807 KAR 5:069. Notwithstanding KRS 278.020(1), 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 Meade County, or to

² Application (filed Sept. 18, 2017), at Exhibit 3, HDR Engineering, Inc., Final Engineering Report and Addendum.

³ *Id.* at Exhibit 1.

⁴ *Id.* at Exhibit 1.

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 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. Meade County is granted a CPCN for the proposed project as submitted.
2. Meade County's proposed plan of financing is approved.
3. Meade County is authorized to enter into a promissory note with RD in the amount of \$2,000,000, maturing over a 40-year period, at an interest rate not to exceed the lower of 2.75 percent per annum and 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 Meade County's application.
5. Meade 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, Meade 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 Meade County's rates for service. Meade County shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

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

12. Within 20 days of the date of this Order, Meade 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 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 Meade 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

ENTERED
OCT 13 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00380 DATED **OCT 13 2017**

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

First	2,000	Gallons	\$ 17.94	Minimum bill
Next	5,000	Gallons	8.68	per 1,000 gallons
Next	10,000	Gallons	8.35	per 1,000 gallons
Next	20,000	Gallons	7.58	per 1,000 gallons
All Over	37,000	Gallons	6.50	per 1,000 gallons

Wholesale rates

Doe Valley Water	3.89	per 1,000 gallons
Otter Creek Water	4.01	per 1,000 gallons
Bulk Water Sales	6.00	per 1,000 gallons

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