

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BRACKEN COUNTY)	
WATER DISTRICT FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY TO CONSTRUCT A)	CASE NO.
WATER IMPROVEMENTS PROJECT)	2018-00352
AND AN ORDER AUTHORIZING THE)	
ISSUANCE OF SECURITIES AND)	
INCREASE RATES PURSUANT TO)	
KRS 278.023)	

ORDER

On October 17, 2018, Bracken County Water District (Bracken County District) filed an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity (CPCN) to construct water system improvements, 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 Bracken County District has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Bracken County District, a water district organized under KRS Chapter 74, provides retail water service to approximately 2,535 customers in Bracken County, Mason County, Pendleton County, and Robertson County, Kentucky.¹

The proposed project consists of three projects: (1) the upgrade of approximately 9.3 miles of distribution mains, (2) the replacement of approximately 23 miles of asbestos

¹ *Annual Report of Bracken County Water District, Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2017*, at 12 and 48.

cement distribution mains, and (3) replacement of approximately 150 customer service meters.² The proposed project will help to improve overall water quality by improving water turnover/water age by eliminating older, problematic distribution mains. In addition, removing dead ends by looping some of the existing water lines will improve the quality of water for residents in these particular areas and also provide alternatives for service during emergency outages.³

The total cost of the project, including legal, administrative, development, land and rights, and engineering, plus interest and contingencies cost, is \$4,568,900. This project is to be financed with the issuance of \$3,427,000 of Waterworks Revenue Bonds and a Rural Development (RD) grant in the amount of \$1,141,900.⁴ Bracken County District has a commitment from RD to purchase the \$3,427,000 of bonds maturing 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.⁵ Bracken County District states that the actual interest rate will not exceed 2.75 percent.

Under the proposed rates, the monthly bill of a water customer using 5,000 gallons of water will increase from \$55.56 to \$59.74, or approximately 8 percent.⁶

Bracken County District has submitted its application pursuant to KRS 278.020 and 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 districts and

² Application, Paragraph 4.

³ Preliminary Engineering Report, Item 4.

⁴ Application, Paragraph 5.

⁵ *Id.* at Exhibit A.

⁶ *Id.* at Exhibit D.

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 Bracken County District 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. Bracken County District is granted a CPCN for the proposed project as submitted.
2. Bracken County District's proposed plan of financing is approved.
3. Bracken County District is authorized to issue \$3,427,000 of Bracken County District Water District Waterworks Revenue Bonds at an interest rate 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, not to exceed 2.75 percent.
4. The proceeds from the promissory note shall be used only for the purposes specified in Bracken County District's application.
5. Bracken County 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, Bracken County 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 Bracken County District rates for service. Bracken County District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Bracken County 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. Bracken County 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 substantial completion of the construction certified herein.

9. Bracken County District 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. Bracken County 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 Bracken County District renders on and after the date of this Order.

12. Within 20 days of the date of entry of this Order, Bracken County District 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.

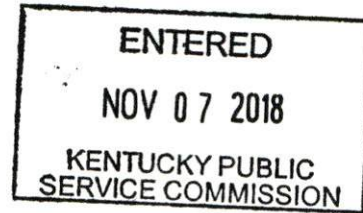
13. Any documents filed in the future pursuant to ordering paragraphs 7, 8, and 10 of this Order shall reference this case number and shall be retained in the utility's post-case correspondence file.

14. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Bracken County District's showing of good cause for such extension.

15. This case is closed and removed from the Commission's docket.

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

Case No. 2018-00352

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00352 DATED **NOV 07 2018**

The following rates and charges are prescribed for the customers in the area served by Bracken County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First 2,000 Gallons	\$27.85 Minimum Bill
Next 38,000 Gallons	10.63 Per 1,000 Gallons
Over 40,000 Gallons	8.43 Per 1,000 Gallons
Wholesale Water Rate	\$4.04 Per 1,000 Gallons
Bulk Sales	\$9.50 Per 1,000 Gallons

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