

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ROWAN WATER, INC. FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY TO CONSTRUCT AND FINANCE)	CASE NO. 2012-00189
IMPROVEMENT PROJECTS AND INCREASE)	
RATES PURSUANT TO KRS 278.023)	

ORDER

Rowan Water, Inc. ("Rowan") has applied to the Commission for a Certificate of Public Convenience and Necessity to construct or replace certain water mains and to make certain improvements to a maintenance building, approval of its plan to finance the proposed project, and an adjustment of rates.

Rowan proposes to replace approximately three miles of six-inch asbestos concrete water main that runs along US Highway 60 in the Haldeman area of Rowan County, Kentucky, and to replace approximately 4,000 linear feet of two-inch water main located in the Park Hills area of Rowan County with four-inch and six-inch water main. It further proposes to modify and enlarge an existing maintenance building to locate its administrative staff and operations in that building. The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is \$1,430,000.

Rowan proposes to finance the proposed construction through a loan from RD in the amount of \$1,031,000, which will be repaid over a period of 40 years, and an RD

Grant in the amount of \$399,000.¹ It also proposes to increase its rates for water service to finance the increased debt service requirements. Under the proposed rates, the monthly bill of a residential customer who uses 5,000 gallons of water monthly will increase from \$31.20 to \$39.50, or 26.6 percent.

Rowan 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 Rowan, 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 district's proposed facilities will result in the wasteful duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable.

¹ On May 16, 2012, Rowan tendered its application to the Commission. On June 6, 2012, it supplemented its application with the original letter of conditions from RD and a copy of its revised notice of rate adjustment to comply with 807 KAR 5:069.

Rowan's application met the minimum filing requirements of KRS 278.023 on June 6, 2012.² 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.

Accordingly, the Commission HEREBY ORDERS that:

1. Rowan is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Rowan's proposed plan of financing is accepted.
3. Rowan is authorized to execute loan agreements with Rural Development to borrow a total sum not to exceed \$1,031,000.
4. The proceeds from the proposed loans shall be used only for the purposes specified in Rowan's application.
5. Rowan 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, Rowan 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 Rowan's rates for service. Rowan shall

² The record is unclear as to whether only one loan agreement will be executed. In its Application, Rowan requests authorization to enter a loan agreement with RD in the amount of \$1,031,000. In its revised Letter of Conditions, RD refers to a "subsequent loan of \$100,000" that appears to be in addition to an RD loan of \$931,000. See Letter from Thomas G. Fern, State Director, Rural Development, to Larry M. Johnson, President, Rowan Water, Inc. (Apr. 25, 2012). RD has advised the Commission Staff that two loans will be executed. Both loans will be for a 40-year period. One loan will be in the amount of \$931,000 at an interest rate of 3.375 percent per annum. The second loan will be in the amount of \$100,000 at an interest rate of 2.75 percent per annum. E-mail from Robert Dunn, Loan Specialist, Rural Development, to Bob Robards, Staff Engineer, Kentucky Public Service Commission (June 4, 2012 12:43 EDT) (filed June 8, 2012).

provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

7. Rowan 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.

8. Rowan 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.

9. Rowan shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

10. The rates set forth in the Appendix to this Order are approved for service that Rowan renders on and after the date of this Order.

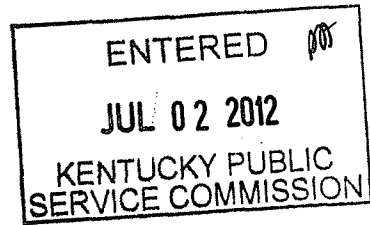
11. Within 30 days of the date of this Order, Rowan shall file revised tariff sheets with the Commission that set forth the rates contained in the Appendix to this Order.

12. Within 30 days of the date of the execution of any loan agreement with RD, Rowan shall file with the Commission a copy of such agreement.

13. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 9 and 12 of this Order shall reference this case number and shall be retained in the utility’s general correspondence file.

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:

Ashton D. Guemwell for
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00189 DATED JUL 02 2012

The following rates and charges are prescribed for the customers in the area served by Rowan Water, 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.

5/8-Inch Meter

	<u>Rate</u>
First 2,000 gallons	\$18.40 Minimum Bill
Next 3,000 gallons	6.50 per 1,000 gallons
Next 10,000 gallons	6.00 per 1,000 gallons
Next 10,000 gallons	5.85 per 1,000 gallons
Next 10,000 gallons	5.50 per 1,000 gallons
Next 15,000 gallons	5.20 per 1,000 gallons
Over 50,000 gallons	5.00 per 1,000 gallons

3/4-Inch Meter

First 4,000 gallons	\$31.40 Minimum Bill
Next 1,000 gallons	6.50 per 1,000 gallons
Next 10,000 gallons	6.00 per 1,000 gallons
Next 10,000 gallons	5.85 per 1,000 gallons
Next 10,000 gallons	5.50 per 1,000 gallons
Next 15,000 gallons	5.20 per 1,000 gallons
Over 50,000 gallons	5.00 per 1,000 gallons

1-Inch Meter

First 5,000 gallons	\$37.90 Minimum Bill
Next 10,000 gallons	6.00 per 1,000 gallons
Next 10,000 gallons	5.85 per 1,000 gallons
Next 10,000 gallons	5.50 per 1,000 gallons
Next 15,000 gallons	5.20 per 1,000 gallons
Over 50,000 gallons	5.00 per 1,000 gallons

1 1/2-Inch Meter

First 15,000 gallons	\$97.90 Minimum Bill
Next 10,000 gallons	5.85 per 1,000 gallons
Next 10,000 gallons	5.50 per 1,000 gallons
Next 15,000 gallons	5.20 per 1,000 gallons
Over 50,000 gallons	5.00 per 1,000 gallons

2-Inch Meter

First 25,000 gallons	\$156.40 per 1,000 gallons
Next 10,000 gallons	5.50 per 1,000 gallons
Next 15,000 gallons	5.20 per 1,000 gallons
Over 50,000 gallons	5.00 per 1,000 gallons

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