

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BUTLER COUNTY WATER)	
SYSTEM, INC. (1) FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY AUTHORIZING)	2014-00353
SAID SYSTEM TO CONSTRUCT MAJOR)	
IMPROVEMENTS AND ADDITIONS TO ITS)	
EXISTING MUNICIPAL WATER TREATMENT)	
SYSTEM FINANCED BY RURAL ECONOMIC AND)	
COMMUNITY DEVELOPMENT SERVICE)	
PURSUANT TO THE PROVISIONS OF KRS 278.023)	
OF THE KENTUCKY REVISED STATUTES; AND (2))	
SEEKING APPROVAL OF THE ISSUANCE OF)	
CERTAIN SECURITIES, AND (3) APPROVAL OF)	
WATER RATES)	

ORDER

Butler County Water System, Inc. ("Butler County") has applied to the Commission for a Certificate of Public Convenience and Necessity ("CPCN") to construct major improvements and additions to its existing water treatment plant, for approval of its plan to finance the proposed project, and for an adjustment of rates. Butler County's application met the minimum filing requirements of KRS 278.023 on October 2, 2014.

Butler County proposes the construction and installation of approximately 1,550 linear feet of ten-inch polyvinyl chloride ("PVC") raw water line, approximately 700 linear feet of 16-inch ductile iron pipe finished water line, and 60 linear feet of 12-inch PVC finished water line.¹ This project also includes the upgrade of existing high-service pumps consisting of the installation of two new high-service vertical turbine pumps intended to increase the rated capacity of the water treatment system from 1.5 million

¹Application, Tabulation of Bids, Exhibit A-2.

gallons per day (“MGD”) to 2 MGD.² Butler County further proposes the replacement of tube settlers in clarifiers No.1 and No. 2, the addition of variable-frequency drives to the raw water pumps, and the painting of the filter building structural steel and floor. No additional customers will be added as a result of this construction. The proposed project will ensure adequate water service to Butler County’s existing customers during peak demand.³ The total cost of the project, including legal, administrative, development, and engineering costs, plus interest and contingencies, is \$647,060.⁴

Butler County proposes to finance the total cost of the proposed construction through the issuance of a \$437,000 promissory note to Rural Development (“RD”), an agency of the U.S. Department of Agriculture, an RD grant in the amount of \$146,000, and an applicant reserve fund in the amount of \$64,060. The proposed \$437,000 note will mature over a 40-year period and accrue interest at a rate not to exceed 2.75 percent per annum. Under the proposed rates, the monthly water bill of a residential customer who uses 5,000 gallons will increase from \$31.69 to \$34.65, or approximately 9.34 percent.

Butler County 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.

² Application, Final Engineering Report, Project Description, Exhibit A-2.

³ Application, Final Engineering Report, Summary and Conclusions, Exhibit A-2.

⁴ Application, Final Engineering Report, Results of Construction Bids, Exhibit A-2.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Butler 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 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. Butler County is granted a CPCN for the proposed construction project.
2. Butler County's proposed plan of financing is approved.
3. Butler County is authorized to issue to RD a promissory note in the amount of \$437,000 which matures over a 40-year period at an interest rate not exceeding 2.75 percent per annum.
4. The proceeds from the proposed promissory note shall be used only for the purposes specified in Butler County's application.
5. Butler County shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
6. Notwithstanding ordering paragraph 5, if surplus funds remain after the approved construction has been completed, Butler 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 Butler County's rates for service. Butler

County shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

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

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

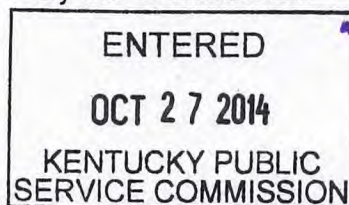
13. Within 30 days of the date of the issuance of the promissory note to RD, Butler County shall file with the Commission a copy of such note and any documents referenced in that note that have not previously been filed with the Commission.

14. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 8, 10, and 13 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.


15. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by the Order upon Butler 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

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00353 DATED ~~OCT 27 2014~~

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

First	2,000	gallons	\$18.54	Minimum bill
Next	4,000	gallons	5.37	per 1,000 gallons
Next	44,000	gallons	4.77	per 1,000 gallons
Next	50,000	gallons	4.10	per 1,000 gallons
Over	100,000	gallons	3.42	per 1,000 gallons

1-Inch Meter

First	5,000	gallons	\$35.18	Minimum bill
Next	1,000	gallons	5.37	per 1,000 gallons
Next	44,000	gallons	4.77	per 1,000 gallons
Next	50,000	gallons	4.10	per 1,000 gallons
Over	100,000	gallons	3.42	per 1,000 gallons

1 1/2-Inch Meter

First	10,000	gallons	\$62.86	Minimum bill
Next	40,000	gallons	4.77	per 1,000 gallons
Next	50,000	gallons	4.10	per 1,000 gallons
Over	100,000	gallons	3.42	per 1,000 gallons

2-Inch Meter

First	16,000	gallons	\$92.26	Minimum bill
Next	34,000	gallons	4.77	per 1,000 gallons
Next	50,000	gallons	4.10	per 1,000 gallons
Over	100,000	gallons	3.42	per 1,000 gallons

3-Inch Meter

First	25,000	gallons	\$149.77	Minimum bill
Next	25,000	gallons	4.77	per 1,000 gallons
Next	50,000	gallons	4.10	per 1,000 gallons
Over	100,000	gallons	3.42	per 1,000 gallons

4-Inch Meter

First	30,000	gallons	\$207.19	Minimum bill
Next	20,000	gallons	4.77	per 1,000 gallons
Next	50,000	gallons	4.10	per 1,000 gallons
Over	100,000	gallons	3.42	per 1,000 gallons

6-Inch Meter

First	60,000	gallons	\$361.90	Minimum bill
Next	40,000	gallons	4.10	per 1,000 gallons
Over	100,000	gallons	3.42	per 1,000 gallons

8-Inch Meter

First	80,000	gallons	\$459.04	Minimum bill
Next	20,000	gallons	4.10	per 1,000 gallons
Over	100,000	gallons	3.42	per 1,000 gallons

Honorable Richard J Deye
Attorney At Law
P. O. Box 340
Morgantown, KENTUCKY 42261

John M Dix
General Manager
Butler County Water System, Inc.
523 US Highway 31W Bypass
P. O. Box 10180
Bowling Green, KY 42102-4780