

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CHRISTIAN COUNTY WATER	)	
DISTRICT FOR A CERTIFICATE OF PUBLIC	)	CASE NO.
CONVENIENCE AND NECESSITY TO CONSTRUCT,	)	2017-00207
FINANCE, AND INCREASE RATES PURSUANT TO	)	
KRS 278.023	)	

ORDER

On May 18, 2017, Christian County Water District (“Christian County”) submitted an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a waterworks improvement project, approval of financing of the proposed project, and an increase in its water rates. By letter dated May 23, 2017, the Commission notified Christian County that its application was rejected because it contained certain filing deficiencies. On May 25, 2017, Christian County submitted additional information to correct the filing deficiencies and the application was deemed filed May 25, 2017. No person has sought intervention in this matter, and Christian County has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Christian County, a water district organized under KRS Chapter 74, provides retail water service to approximately 6,083 customers in Christian County, Kentucky.<sup>1</sup>

Christian County’s application for a CPCN proposes the following: Installation of approximately 146,070 linear feet of 4-inch, 6-inch, and 8-inch water main replacement

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

and extensions and associated appurtenances in the general vicinity of KY Highway 109; and installation of approximately 46,635 linear feet of 6-inch and 8-inch water main replacement and extensions and associated appurtenances along KY Highway 1349 and U.S. Highway 41 N.<sup>2</sup>

The total estimated cost of the proposed project, including legal, administrative, development, and engineering, plus interest and contingencies costs, is \$3,500,000.<sup>3</sup> Christian County proposes to finance the proposed construction with the proceeds of the issuance of \$1,800,000 of Waterworks Revenue Bonds to be purchased by the United States Department of Agriculture (“USDA”) Rural Development (“RD”) for a 40-year period at an interest rate not to exceed 2.75 percent annum,<sup>4</sup> a \$700,000 grant from RD, and a \$1,000,000 Department of Housing and Urban Development Community Development Block Grant (“CDBG”).<sup>5</sup>

Christian County’s proposed rates are the minimum rates and charges set forth in the USDA RD Letter of Conditions dated May 10, 2017. The monthly bill of an average residential water customer using 4,508 gallons of water will increase from \$45.26 to \$49.43, or approximately 9.2 percent.

Christian 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 districts and RD regarding

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<sup>2</sup> Application, Paragraph 4.

<sup>3</sup> Application, Exhibit A, RD Amended Letter of Conditions, March 8, 2017, at 1.

<sup>4</sup> FORM RD1940-1 at 28, filed May 25, 2017.

<sup>5</sup> Application, Exhibit A, RD, Amended Letter of Conditions, March 8, 2017, Letter, at 1.

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 Christian County, or to defer the issuance of all necessary orders to implement the terms of the 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 water 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.

Having reviewed the record and being sufficiently advised, the Commission finds that:

1. The record for this case is complete.
2. Christian County is an entity authorized to submit an application for Commission approval of a federally funded construction project pursuant to KRS 278.023.
3. The proposed construction will not result in wasteful duplication of existing facilities.
4. The proposed construction does not conflict with any existing certificates or service of any other utility operating in the area.
5. Public convenience and necessity require the proposed construction, which will allow Christian County to continue providing reliable and adequate water service to its customers.

6. The project will be financed through the issuance of Waterworks Revenue Bonds purchased from the USDA RD, a grant from RD, and a CDBG grant.

7. The proposed rates contained in the application are the minimum rates and charges required under the agreement with USDA RD.

IT IS THEREFORE ORDERED that:

1. Christian County is granted a CPCN for the proposed project as submitted.
2. Christian County's proposed plan of financing is approved.
3. Christian County is authorized to issue Waterworks Revenue Bonds in an amount not to exceed \$1,800,000 to RD, maturing over a 40-year period, at an interest rate not to exceed 2.75 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 loan shall be used only for the purposes specified in Christian County's application.
5. Christian 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, Christian 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 Christian County's rates for service. Christian County shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
7. Christian 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. Christian 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. Christian 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. Christian 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 Christian County renders on and after the date of this Order.

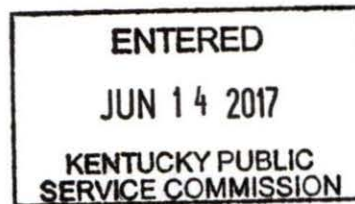
12. Within 20 days of the date of this Order, Christian County shall file revised tariff sheets with the Commission, using the Commission’s electronic Tariff Filing System, containing the rates set forth in the Appendix to this Order.

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 general 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 Christian 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:

A handwritten signature in blue ink, appearing to read "Bud B...".

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2017-00207 DATED **JUN 14 2017**

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

5/8-Inch x 3/4-Inch Meter

First	0 gallons	\$ 19.65	Minimum bill
All Over	0 gallons	6.54	per 1,000 gallons

1-Inch Meter

First	5,000 gallons	\$ 52.65	Minimum bill
All Over	5,000 gallons	6.54	per 1,000 gallons

1 1/2-Inch Meter

First	10,000 gallons	\$ 85.35	Minimum bill
All Over	10,000 gallons	6.54	per 1,000 gallons

2-Inch Meter

First	50,000 gallons	\$ 346.95	Minimum bill
All Over	50,000 gallons	6.54	per 1,000 gallons

4-Inch Meter

First	100,000 gallons	\$ 673.95	Minimum bill
All Over	100,000 gallons	6.54	per 1,000 gallons

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