

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE GRAYSON COUNTY WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO CONSTRUCT)	2017-00247
AND FINANCE A PROJECT PURSUANT TO KRS)	
278.023)	

ORDER

On June 20, 2017, Grayson County Water District (“Grayson County”) submitted an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity (“CPCN”) to construct an improvement project and for approval of financing of the proposed project. No person has sought intervention in this matter, and Grayson County has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Grayson County, a water district organized under KRS Chapter 74, provides retail water service to approximately 6,650 customers in Grayson County, Kentucky.¹

Grayson County’s application for a CPCN proposes the construction of a Water District Office and Utility Building.²

The total estimated cost of the proposed project, including legal, administrative,

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

² Application, Exhibit A.

development, Architectural and Inspection, and Equipment furnishings, plus interest and contingencies costs, is \$1,295,506.³

Grayson County proposes to finance the proposed construction with the proceeds of the issuance of \$712,000 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 2.5 percent annum,⁴ a \$238,000 grant from RD⁵ and \$345,506 of interest funds.⁶ Grayson County will not be raising rates to fund this project.⁷

Grayson 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 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 Grayson 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

³ Application, Exhibit C, RD Contract Award concurrence, June 14, 2017.

⁴ Application, Exhibit B, FORM RD1940-1 at 28.

⁵ Application, Exhibit B, RD Letter of Conditions, December 21, 2012, at 8.

⁶ Informal Conference memorandum of July 10, 2017, filed into the revision July 11, 2017.

⁷ Grayson County’s current Tariffed Rates are greater than the rates stated in the Exhibit B, RD Letter of Conditions, December 21, 2012, at 9.

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.

IT IS THEREFORE ORDERED that:

1. Grayson County is granted a CPCN for the proposed project as submitted.
2. Grayson County's proposed plan of financing is approved.
3. Grayson County is authorized to issue Waterworks Revenue Bonds in an amount not to exceed \$712,000 to RD, maturing over a 40-year period, at an interest rate not to exceed the lower of 2.5 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 loan shall be used only for the purposes specified in Grayson County's application.
5. Grayson 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, Grayson 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 Grayson County's rates for service. Grayson County shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
7. Grayson 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. Grayson 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. Grayson 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. Grayson 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 Grayson County renders on and after the date of this Order.

12. 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 general correspondence file.

13. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Grayson 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
JUL 14 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Acting Executive Director

*Grayson County Water District
113 S. Lee Street
P. O. Box 217
Leitchfield, KY 42754

*Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202