

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF RATTLESNAKE)	
RIDGE WATER DISTRICT FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	CASE NO.
AND NECESSITY TO CONSTRUCT, FINANCE)	2018-00371
AND INCREASE RATES PURUSANT TO)	
KRS 278.023)	

ORDER

On November 5, 2018, Rattlesnake Ridge Water District (Rattlesnake Ridge 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 Rattlesnake Ridge District has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Rattlesnake Ridge District, a water district organized under KRS Chapter 74, provides retail water service to approximately 4,015 customers in Carter County, Elliott County, Lawrence County, Lewis County and Morgan County, Kentucky.¹

The proposed project consists of 11 projects: (1) repainting and rehabilitating three storage tanks, (2) the installation of water lines on 11 different roads, (3) construction of a new office, (4) purchase of a portable generator that can be moved to any of the pump

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

stations in the system during emergency power outages, (5) upgrade of the Diamond Ridge pump station, (6) installation of a new PRV station at Huff Run Road, (7) upgrade the water treatment plant (WTP) SCADA system, (8) construction of a new 250,000-gallon elevated storage tank and new pump station on highway KY 504, (9) rehabilitate the Diamond Ridge, Gregoryville No. 2 and Route 7 storage tanks, (10) demolition of two tanks on KY 504, and (11) construction of a cover over the backwash sludge pile at the WTP or purchase of a sludge container filter.² Rattlesnake Ridge District states that the proposed project is an upgrade project, necessary to keep the facilities of Rattlesnake Ridge District in good operating condition for the foreseeable future.³

The total cost of the project, including legal, administrative, development, land and rights, and engineering, plus interest and contingencies, is \$4,121,400. This project is to be financed with the issuance of \$2,490,000 of Waterworks Revenue Bonds, a Rural Development (RD) grant in the amount of \$831,400, and a Community Development Block Grant (CDBG) in the amount of \$800,000.⁴ Rattlesnake Ridge District has a commitment from RD to purchase the \$2,490,000 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 Rattlesnake Ridge District states that the actual interest rate will not exceed 2.75 percent.

² Application, Paragraph 4.

³ Preliminary Engineering Report, Page 1.

⁴ Application, Paragraph 5.

⁵ *Id.* at Exhibit A.

Under the proposed rates, the monthly bill of a water customer with a 5/8" x 3/4" meter will increase from \$49.17 to \$55.20, or approximately 12 percent.⁶

Rattlesnake Ridge 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 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 Rattlesnake Ridge 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 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.

The Commission notes that in its 2017 Annual Report Rattlesnake Ridge District reported a water loss of 64.9754 percent. Commission regulation 807 KAR 5:066(6)(3) states that for rate making purposes a utility's unaccounted-for water loss shall not exceed fifteen (15) percent of the total water produced and purchased, excluding water consumed by a utility in its own operations. Reduction of Rattlesnake Ridge District's unaccounted-for water loss to 15 percent would result in a decrease to its cost of water.

⁶ *Id.* at Exhibit D.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the fifteen (15) percent unaccounted-for water loss threshold and strongly encourages Rattlesnake Ridge District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Rattlesnake Ridge District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility. The statute unambiguously restricts the Commission's authority in cases filed pursuant to KRS 278.023. Therefore, the Commission will grant the CPCN to Rattlesnake Ridge District as requested. With respect to the planned office building, the Commission recognizes that adequate office space is important and necessary for the provision of adequate customer service. However, in light of Rattlesnake Ridge District's excessive water loss, the Commission notes that, had it the authority to do so, it would have investigated the prudence of this expenditure.

IT IS THEREFORE ORDERED that:

1. Rattlesnake Ridge District is granted a CPCN for the proposed projects as submitted.
2. Rattlesnake Ridge District's proposed plan of financing is approved.
3. Rattlesnake Ridge District is authorized to issue \$2,490,000 of Rattlesnake Ridge 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 Rattlesnake Ridge District's application.

5. Rattlesnake Ridge 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, Rattlesnake Ridge 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 Rattlesnake Ridge District rates for service. Rattlesnake Ridge District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Rattlesnake Ridge 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. Rattlesnake Ridge 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. Rattlesnake Ridge 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. Rattlesnake Ridge 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 Rattlesnake Ridge District renders on and after the date of this Order.

12. Within 20 days of the date of entry of this Order, Rattlesnake Ridge 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 Rattlesnake Ridge 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

ENTERED
DEC 04 2018
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2018-00371

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00371 DATED **DEC 04 2018**

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

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

First	1,000	Gallons	\$19.32	Minimum bill
Next	4,000	Gallons	14.40	per 1,000 Gallons
Next	5,000	Gallons	12.40	per 1,000 Gallons
Next	10,000	Gallons	11.10	per 1,000 Gallons
Next	20,000	Gallons	7.90	per 1,000 Gallons
Over	40,000	Gallons	6.30	per 1,000 Gallons

3/4-Inch Meter

First	5,000	Gallons	\$76.92	Minimum bill
Next	5,000	Gallons	12.40	per 1,000 Gallons
Next	10,000	Gallons	11.10	per 1,000 Gallons
Next	20,000	Gallons	7.90	per 1,000 Gallons
Over	40,000	Gallons	6.30	per 1,000 Gallons

1-Inch Meter

First	10,000	Gallons	\$138.92	Minimum bill
Next	10,000	Gallons	11.10	per 1,000 Gallons
Next	20,000	Gallons	7.90	per 1,000 Gallons
Over	40,000	Gallons	6.30	per 1,000 Gallons

1 1/2-Inch Meter

First	30,000	Gallons	\$328.92	Minimum bill
Next	10,000	Gallons	7.90	per 1,000 Gallons
Over	40,000	Gallons	6.30	per 1,000 Gallons

2-Inch Meter

First	50,000	Gallons	\$470.92	Minimum bill
Over	50,000	Gallons	6.30	per 1,000 Gallons

3-Inch Meter

First	100,000	Gallons	\$785.92	Minimum bill
Over	100,000	Gallons	6.30	per 1,000 Gallons

4-Inch Meter

First	200,000	Gallons	\$1,415.92	Minimum bill
Over	200,000	Gallons	6.30	per 1,000 Gallons

6-Inch Meter

First	500,000	Gallons	\$3,305.92	Minimum bill
Over	500,000	Gallons	6.30	per 1,000 Gallons

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