

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF TODD COUNTY WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO)	
CONSTRUCT A WATERWORKS)	CASE NO.
IMPROVEMENT PROJECT AND AN ORDER)	2019-00180
APPROVING A CHANGE IN RATES AND)	
AUTHORIZING THE ISSUANCE OF)	
SECURITIES PURSUANT TO KRS 278.023)	

ORDER

On May 31, 2019, Todd County Water District (Todd District) tendered for filing an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity (CPCN) to construct a waterworks improvement project, approval of its plan to finance the proposed project, and a change in the water rates. The Commission issued a deficiency letter on June 11, 2019, and Todd District cured the deficiency on June 17, 2019. No person has sought intervention in this matter, and Todd District has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Todd District, a water district organized under KRS Chapter 74, provides retail water service to approximately 3,478 water customers,¹ in Todd, Logan, and Muhlenberg counties, Kentucky.²

¹ *Annual Report of Todd County Water District for Water Operations for the Year Ended December 31, 2017*, at 48.

² *Id.* at 12.

The primary purpose of the proposed Novelis, Inc. (Novelis), Water Supply project (Project) is to provide a reliable supply of potable water to Novelis, which is a new automotive aluminum sheet manufacturing facility.³ The new Novelis facility that is currently under construction north of the city of Guthrie will create 125 new jobs and is scheduled to open in 2020.⁴ In early 2018, Todd District committed to local and state economic development officials that they would supply the required water flow and pressure to the Novelis industrial site.⁵ The Novelis facility is expected to use an average water consumption of 56,250 gallons per day.⁶

The proposed Project will also bring water service to nearly 30 potential customers that currently rely on groundwater sources or hauled water.⁷ Todd District states that providing water to these potential residences is consistent with Todd District's approved Water Supply Plan, as well as the state's initiative to provide adequate and potable water to all homes.⁸ The proposed Project will further involve the relocation of a short section of an existing 6-inch waterline, which is necessary due to the Kentucky Transportation Cabinet's (KYTC) proposed highway widening of U.S. Highway 79 and relocation of an intersection.⁹ The KYTC project does not include funds for the relocation of existing

³ Todd District's Final Engineering Report, at 1 and 8.

⁴ *Id.* at 1.

⁵ *Id.* at 8.

⁶ *Id.* at 8 and 10.

⁷ *Id.* at 8.

⁸ *Id.*

⁹ *Id.*

utilities.¹⁰ Finally, the proposed Project, if funds are available, will allow Todd District to replace or install new supervisory control and data acquisition (SCADA) equipment.¹¹ Todd District states that the proposed Project will consist of three separate construction contracts.¹² Contract 1 will involve one highway corridor, with approximately 2 miles of new waterline extension along U.S. Highway 79, between KY Highway 848 and the CSX Railroad.¹³ The contract will consist of 12" piping, plus the installation of a new metering point with the Logan Todd Regional Water Commission, along with needed SCADA equipment to monitor and control flow to the new pressure zone.¹⁴ Contract 1 will also include the relocation of a short section of 6-inch waterline due to the modification of the U.S. Highway 79 and Old Railroad Lane intersection by the KYTC.¹⁵ Contract 2 involves the construction of a 500,000-gallon elevated water storage tank.¹⁶ According to Todd District, the water storage tank's proposed location is on the Novelis industrial site at the Intersection of U.S. Highway 79 and the CSX railroad.¹⁷ This water storage tank site will provide Todd District with a second storage structure in the southern half of Todd County.¹⁸ Contract 3 will consist of nearly two miles of short waterline extensions along

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 1–3.

¹³ *Id.* at 2.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

three various roadways plus SCADA additions and improvements.¹⁹ Also, Todd District has identified other work they wish to include if extra funds are available, including the extension of nearly 11 miles of varying sized waterlines along 17 other roadways.²⁰

The total cost of the Project, including but not limited to engineering, construction, legal, administrative, and land right-of-way, plus interest and contingencies, is \$3,600,000.²¹ This project is to be financed with the issuance of water revenue bonds in the amount of \$3,210,000, maturing over a period not to exceed 40 years with an interest rate not to exceed 3.125 percent per annum, the bonds will be purchased by the United States Department of Agriculture (USDA), acting through Rural Development (RD); and a grant in the amount of \$390,000 from the USDA/RD.²²

Under the proposed rates, the monthly bill of a residential or commercial water customer who uses 3,878 gallons per month will decrease from \$48.80 to \$46.54, or approximately -4.63 percent.²³

Todd 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 the USDA/RD regarding construction projects and to issue the necessary orders to implement

¹⁹ *Id.*

²⁰ *Id.*

²¹ Application, Final Engineering Report As-Bid Project Budget Comparison.

²² Application at 2 .

²³ Average Usage for a Residential or Commercial Customer, as stated in the public notice in the Application, Exhibit D.

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 the USDA/RD and Todd 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 utility's proposed facilities will result in the wasteful duplication of facilities, 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 commends Todd District for its efforts to provide water service to Novelis and recognizes the significant economic benefits that will accrue to Todd County and the surrounding area. However, we note that Todd District has not filed a water sales contract with Novelis incorporating the water rates set forth in the agreement with USDA/RD, and binding Novelis to the monthly minimum payment for a sufficient term of years. The Commission expects Todd District to file such a contract prior to commencement of service to Novelis.

IT IS THEREFORE ORDERED that:

1. Todd District is granted a CPCN for the proposed Project as submitted.
2. Todd District's proposed plan of financing is approved.
3. Todd District is authorized to issue water revenue bonds in the amount of \$3,210,000, maturing over a period not to exceed 40 years with an interest rate not to exceed 3.125 percent per annum that will be purchased by USDA/RD.

4. The proceeds from the promissory note shall be used only for the purposes specified in Todd District's application.

5. Todd District is authorized to obtain a grant in the amount of \$390,000 from USDA/RD.

6. Todd District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

7. Notwithstanding ordering paragraphs 4 and 6, if surplus funds remain after the approved construction has been completed, Todd District may use such surplus to construct additional plant facilities if USDA/RD approves of the use and the additional construction, and it will not result in a change in Todd District's rates for service. Todd District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

8. Todd 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 costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

9. Todd 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.

10. Todd 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.

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

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

13. Within 20 days of the date of entry of this Order, Todd 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.

14. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 8, 9, and 11 of this Order shall reference this case number and shall be retained in the utility's post-case correspondence file.

15. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Todd District's showing of good cause for such extension.

16. Todd District shall file a water sale contract with the Commission as discussed in the findings above prior to commencement of water service to Novelis.

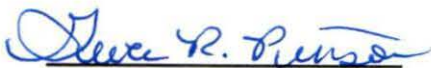
17. This case is closed and removed from the Commission's docket.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing, herein approved.

By the Commission

ENTERED
JUL 16 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2019-00180

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00180 DATED JUL 16 2019

The following rates and charges are prescribed for the customers in the area served by Todd County Water 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

Residential/Agricultural – All Meter Sizes

First	2,000 Gallons	\$ 24.00	Minimum bill
Next	18,000 Gallons	12.00	per 1,000 Gallons
All Over	20,000 Gallons	8.25	per 1,000 Gallons

Industrial 8-inch Meter and Above

First	1,500,000 Gallons	\$ 19,500.00	Minimum bill
Next	1,500,000 Gallons	\$ 8.25	per 1,000 Gallons
Next	1,500,000 Gallons	\$ 6.50	per 1,000 Gallons
Next	1,500,000 Gallons	\$ 6.30	per 1,000 Gallons
Next	1,500,000 Gallons	\$ 6.15	per 1,000 Gallons
Next	1,500,000 Gallons	\$ 6.05	per 1,000 Gallons
All over	9,000,000 Gallons	\$ 6.00	per 1,000 Gallons

*Todd County Water District
2201 New Highway 68 West
P. O. Box 520
Elkton, KY 42220

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