

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF GREEN RIVER)	
VALLEY WATER DISTRICT PURSUANT TO KRS)	
278.023 AND 807 KAR 5:069 FOR (1) A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY TO EXPAND ITS WATER)	CASE NO.
TREATMENT PLANT AND RELATED)	2019-00287
WATERWORKS IMPROVEMENTS; (2) AN)	
ADJUSTMENT OF ITS RATES FOR WATER)	
SERVICES; AND (3) AUTHORIZATION TO ISSUE)	
CERTAIN SECURITIES)	

ORDER

On August 30, 2019, Green River Valley Water District (Green River Valley District) tendered for filing an application, pursuant to KRS 278.023 and 807 KAR 5:069, for a Certificate of Public Convenience and Necessity (CPCN) for the expansion of its water treatment plant and other waterworks improvements, approval of its plan to finance the proposed project, and an adjustment of its water rates. The Commission Staff issued discovery requests on September 12, 2019, and Green River Valley District filed responses to the discovery on September 17, 2019. Green River Valley District simultaneously filed a motion to supplement application (Motion to Supplement) on September 17, 2019, requesting to supplement Exhibit 12 of the application to clearly reflect the alteration of the current rate structure from a six-step declining block rate structure to a four-step declining block rate structure. No person has sought intervention in this matter, and Green River Valley District has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Green River Valley District, a water district organized under KRS Chapter 74, provides retail water service to approximately 7,152 water customers,¹ in Barren, Green, Hart, Larue, and Metcalfe counties, Kentucky.² Green River Valley District also provides water for resale to Larue County Water District; Green Taylor Water District; the cities of Cave City, Horse Cave, Munfordville, and Bonnieville; and the Caveland Environmental Authority.³

Green River Valley District asserts that in the next 20 years, water usage is projected to grow approximately 2.1 percent per year.⁴ Therefore, the primary purpose of the proposed project is to expand its existing water treatment plant capacity from six million gallons of water per day to eight million gallons of water per day.⁵ The proposed project will consist of improvements to the existing raw water intake on Green River, a secondary raw water pump station to pump water from Rio Verde Spring, a chemical feed building and feed equipment, two two-staged flocculation basins and two sedimentation basins, two filters, a 1,400,000 gallon clearwell, yard piping improvements, refurbishing the existing laboratory and operator area, and installing new supervisory control and data acquisition (SCADA) systems for its water treatment plant and distribution system.⁶

¹ *Annual Report of Green River Valley Water District for Water Operations for the Year Ended December 31, 2018*, at 49.

² *Id.* at 12; Application at 2.

³ Application at 2.

⁴ Green River Valley District's Revised Preliminary Engineering Report (Revised Preliminary Engineering Report) at 9.

⁵ Application at 3; Revised Preliminary Engineering Report at 5 and 16.

⁶ Application at 3; Revised Preliminary Engineering Report at 11.

The total cost of the project, including but not limited to engineering, construction, legal, administrative, environmental, plus interest and contingencies, is approximately \$11,625,000.⁷ Green River Valley District proposes to finance the cost of the proposed project through the issuance of \$8,062,000 of its Waterworks Revenue Bonds, consisting of \$5,600,000 of Series A Bonds and \$2,462,000 of Series B Bonds, and a grant of \$3,563,000 from the United States Department of Agriculture (USDA) acting through Rural Development (RD). RD has committed to purchase all of the Waterworks Revenue Bonds, with the bonds maturing over a 40-year period at an interest rate not to exceed 2.25 percent per annum for the Series A Bonds and at an interest rate not to exceed 2.75 percent per annum for the Series B Bonds.⁸

Under the proposed rates, the monthly bill of a residential customer who uses 4,266⁹ gallons of water per month will increase from \$27.88 to \$35.58, or approximately 27.6 percent.

Green River Valley 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 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

⁷ Application at 3, Green River Valley District's Final Engineering Report at 3.

⁸ Application at 4.

⁹ Green River Valley District's Response to Commission Staff's First Request for Information, Exhibit 1A, Billing Analysis Summary Average Usage for a Residential Customer.

400,864,000 gallons of water divided by 93,970.5 bills = 4,266 gallons.

discretionary authority to modify or reject any portion of the agreement between the USDA/RD and Green River Valley 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.

IT IS THEREFORE ORDERED that:

1. Green River Valley District is granted a CPCN for the proposed project as submitted.
2. Green River Valley District's proposed plan of financing is approved.
3. Green River Valley District is authorized to issue Waterworks Revenue Bonds in the amount of \$8,062,000, consisting of \$5,600,000 of Series A Bonds and \$2,462,000 of Series B Bonds, maturing over a period not to exceed 40 years with an interest rate not to exceed 2.25 percent per annum for the Series A Bonds and at an interest rate not to exceed 2.75 percent per annum for the Series B Bonds that will be purchased by USDA/RD.
4. The proceeds from the promissory note shall be used only for the purposes specified in Green River Valley District's application.
5. Green River Valley District is authorized to obtain a grant in the amount of \$3,563,000 from USDA/RD.

6. Green River Valley 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, Green River Valley 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 Green River Valley District's rates for service. Green River Valley District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

8. Green River Valley 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. Green River Valley 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. Green River Valley 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. Green River Valley 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 Green River Valley District renders on and after the date of this Order.

13. Within 20 days of the date of entry of this Order, Green River Valley 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 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 Green River Valley District's showing of good cause for such extension.

16. Green River Valley District's Motion to Supplement is granted.

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
SEP 27 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2019-00287

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2019-00287 DATED **SEP 27 2019**

The following rates and charges are prescribed for the customers in the area served by Green River Valley 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

5/8 x 3/4 - Inch Meter

First	2,000	Gallons	\$	22.10	Minimum Bill
Next	8,000	Gallons		5.95	per 1,000 Gallons
Next	20,000	Gallons		4.85	per 1,000 Gallons
Over	30,000	Gallons		3.85	per 1,000 Gallons

1 - Inch

First	5,000	Gallons	\$	39.95	Minimum Bill
Next	5,000	Gallons		5.95	per 1,000 Gallons
Next	20,000	Gallons		4.85	per 1,000 Gallons
Over	30,000	Gallons		3.85	per 1,000 Gallons

1.5 - Inch Meter

First	10,000	Gallons	\$	69.70	Minimum Bill
Next	20,000	Gallons		4.85	per 1,000 Gallons
Over	30,000	Gallons		3.85	per 1,000 Gallons

2 - Inch Meter

First	15,000	Gallons	\$	93.95	Minimum Bill
Next	15,000	Gallons		4.85	per 1,000 Gallons
Over	30,000	Gallons		3.85	per 1,000 Gallons

Wholesale Rate			\$	2.59	per 1,000 Gallons
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