

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF THE)	
GRAYSON COUNTY WATER DISTRICT FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY TO CONSTRUCT A SYSTEM)	CASE NO.
IMPROVEMENTS PROJECT AND AN ORDER)	2020-00152
APPROVING A CHANGE IN RATES AND)	
AUTHORIZING THE ISSUANCE OF)	
SECURITIES PURSUANT TO KRS 278.023)	

ORDER

On May 28, 2020, Grayson County Water District (Grayson District) filed an application, pursuant to KRS 278.023, requesting a Certificate of Public Convenience and Necessity (CPCN) to construct a water system improvements project, approval of the proposed plan of financing the project, and approval of a change in rates. On June 12, 2020, Grayson District filed a supplement to the application. The supplement contained an amended letter of conditions from United States Department of Agriculture Rural Development (USDA/RD) clarifying the minimum rates to be charged by Grayson District. No party has sought intervention in this matter. The record for this case is complete, and the matter stands ready for a decision.

Grayson District, a water district organized under KRS Chapter 74, provides retail water service to approximately 6,806 water customers¹ in Grayson County, Kentucky.²

¹ *Annual Report of Grayson County Water District for the Year Ended December 31, 2019*, at 49.

² *Id.* at 12.

The Commission notes that its records indicate Grayson District has not sought a general adjustment in its base rates by any other means than through financing approval in conjunction with an application for a CPCN pursuant to KRS 278.023 or as a Purchased Water Adjustment (PWA) since 2008. Grayson District's last adjustment of rates in 2015 was due to a PWA.³ Grayson District has increased its rates as part of financing cases like this through USDA/RD. As explained below, the Commission's review of records in a USDA/RD financing case is limited and very different from the comprehensive review of a utility's total financial stability and operational viability that takes place in a traditional rate adjustment case or an alternative rate adjustment. The Commission recently noted that utilities use this practice intentionally to avoid a review of their financial records.⁴ The lack of insight into Grayson District's financial records indicates to the Commission that Grayson District should file an application for a traditional adjustment in rates or an alternative rate adjustment within one year of the date of this Order to ensure its financial situation is sufficient.

Grayson District's proposed project consists of three new interconnections, a line extension and upgrade, and a new master meter.⁵ The first proposed interconnection is Peter Cave Road to Johnny Frank Road; second, an interconnection of Lilac Road to Peter Cave Road; and third is an interconnection of 259 South to McDonald Road. The second component to the project is a tank line extension and expansion of the Detention Center Tank. The final component to the project is installation of a master meter at Duff

³ Case No. 2015-00204, *Purchased Water Adjustment Filing of Grayson County Water District* (Ky. PSC. July 30, 2015).

⁴ See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (KY. PSC. Nov. 22, 2019).

⁵ Grayson District's Final Engineering Report at 1.

Road and McDonald Road.⁶ The proposed interconnections will allow water distribution from Grayson District's water treatment plant to areas currently served only by purchased water from Leitchfield Utilities and isolated geographically by Rough River Lake.⁷ This project will allow Grayson District to drastically reduce, if not eliminate, the need to purchase water from Leitchfield Utilities by providing water treated at Grayson District's water treatment plant.⁸

The total estimated cost of the proposed project, including but not limited to legal expenses, land and rights, engineering, construction, and contingencies, is approximately \$1,216,060.⁹ Grayson District proposes to finance the cost of the proposed project through the issuance of \$795,000 of its Waterworks Revenue Bonds, consisting of \$539,000 of Series A Bonds maturing over 40 years, at an interest rate not to exceed 2.750 percent per annum, and \$256,000 of Series B Bonds maturing over 40 years, at an interest rate not to exceed 1.875 per annum; a grant of \$372,060 from the United States Department of Agriculture (USDA) acting through Rural Development (RD); and a contribution from Grayson District in the amount of \$64,000.¹⁰

Grayson 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

⁶ *Id.*

⁷ Grayson District's Preliminary Engineering Report at 4.

⁸ *Id.*

⁹ Grayson District's Final Engineering Report at 2.

¹⁰ Application at 1–2.

USDA/RD regarding construction projects and to issue the necessary orders to implement the terms of such agreements no later than 30 days after filing the application with the Commission. 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 Mountain 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. Grayson District is granted a CPCN for the proposed project as submitted.
2. Grayson District's proposed plan of financing is approved.
3. Grayson District is authorized to issue water revenue bonds in the amount of \$795,000, consisting of \$539,000 of Series A Bonds maturing over 40 years at an interest rate not to exceed 2.75 percent per annum, and \$256,000 of Series B Bonds maturing over 40 years with an interest rate not to exceed 1.875 percent per annum that will be purchased by USDA/RD.
4. The proceeds from the water revenue bonds shall be used only for the purposes specified in Grayson District's application.
5. Grayson District is authorized to obtain a grant in the amount of \$372,060 from USDA/RD.

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

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

12. 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.

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

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

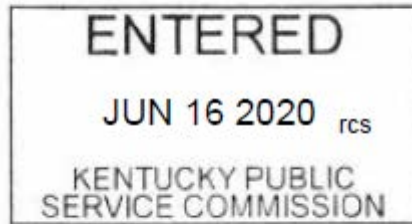
15. Within 20 days of the date of this Order, Grayson District shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates set forth in the Appendix to this Order.

16. Grayson District shall file for an adjustment in its base rates or file an alternative rate filing within one year of the date of this Order.

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



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00152 DATED JUN 16 2020

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

5/8-inch Meter

First	1,500 Gallons	\$19.35 Minimum Bill
Next	8,500 Gallons	9.07 Per 1,000 Gallons
Next	40,000 Gallons	8.15 Per 1,000 Gallons
Next	100,000 Gallons	7.23 Per 1,000 Gallons
Over	150,000 Gallons	6.34 Per 1,000 Gallons

3/4-inch Meter

First	3,000 Gallons	\$32.95 Minimum Bill
Next	7,000 Gallons	9.07 Per 1,000 Gallons
Next	40,000 Gallons	8.15 Per 1,000 Gallons
Next	100,000 Gallons	7.23 Per 1,000 Gallons
Over	150,000 Gallons	6.34 Per 1,000 Gallons

1-inch Meter

First	5,000 Gallons	\$51.10 Minimum Bill
Next	5,000 Gallons	9.07 Per 1,000 Gallons
Next	40,000 Gallons	8.15 Per 1,000 Gallons
Next	100,000 Gallons	7.23 Per 1,000 Gallons
Over	150,000 Gallons	6.34 Per 1,000 Gallons

1 1/2-inch Meter

First	10,000 Gallons	\$96.45 Minimum Bill
Next	40,000 Gallons	8.15 Per 1,000 Gallons
Next	100,000 Gallons	7.23 Per 1,000 Gallons
Over	150,000 Gallons	6.34 Per 1,000 Gallons

2-inch Meter

First	16,000 Gallons	\$145.35 Minimum Bill
Next	34,000 Gallons	8.15 Per 1,000 Gallons

Next 100,000 Gallons 7.23 Per 1,000 Gallons
Over 150,000 Gallons 6.34 Per 1,000 Gallons

3-inch Meter

First 30,000 Gallons \$259.45 Minimum Bill
Next 20,000 Gallons 8.15 Per 1,000 Gallons
Next 100,000 Gallons 7.23 Per 1,000 Gallons
Over 150,000 Gallons 6.34 Per 1,000 Gallons

4-inch Meter

First 50,000 Gallons \$422.45 Minimum Bill
Next 100,000 Gallons 7.23 Per 1,000 Gallons
Over 150,000 Gallons 6.34 Per 1,000 Gallons

6-inch Meter

First 100,000 Gallons \$783.95 Minimum Bill
Next 50,000 Gallons 7.23 Per 1,000 Gallons
Over 150,000 Gallons 6.34 Per 1,000 Gallons

8-inch Meter

First 150,000 Gallons \$1,145.45 Minimum Bill
Over 150,000 Gallons 6.34 Per 1,000 Gallons

10-inch Meter

First 250,000 Gallons \$1,779.45 Minimum Bill
Over 250,000 Gallons 6.34 Per 1,000 Gallons

Wholesale Rate

\$2.771 Per 1,000 Gallons

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