

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BRONSTON WATER	)	
ASSOCIATION, INC. OF WAYNE AND	)	
PULASKI COUNTIES, KENTUCKY FOR A	)	CASE NO.
CERTIFICATE OF PUBLIC CONVENIENCE	)	2014-00029
AND NECESSITY TO CONSTRUCT, FINANCE	)	
AND INCREASE RATES PURSUANT TO THE	)	
PROVISIONS OF KRS 278.023	)	

ORDER

Bronston Water Association, Inc. (“Bronston Association”) has applied to the Commission for a Certificate of Public Convenience and Necessity for a waterworks construction project, for approval of its plan to finance the proposed project, and for approval of an increase in water rates.

In its application, Bronston Association proposes the replacement of approximately 3,400 linear feet of three-inch water line with new three-inch polyvinyl chloride (“PVC”) water line and appurtenances; the replacement of approximately 6,300 linear feet of four-inch water line with new eight-inch PVC water line and appurtenances; the replacement of approximately 8,400 linear feet of four-inch water line with new six-inch PVC water line and appurtenances; and the replacement of an existing 200,000-gallon ground water storage tank with a new 200,000-gallon glass-lined ground water storage tank.

The engineering plans filed as part of the application indicate that approximately 6,300 linear feet of eight-inch PVC water line and 8,400 linear feet of six-inch PVC water line will be installed, but the engineering plans indicate that water lines being

replaced are not four-inch water lines as stated in the application. Furthermore, not all of the 6,300 linear feet of eight-inch PVC water line that will be installed replaces currently existing water lines. The engineering plans indicate that 1,820 linear feet of eight-inch PVC water line and appurtenances will be installed as a discharge pipe from the 200,000-gallon ground water storage tank that is being replaced as part of the waterworks construction project. The remaining 4,480 linear feet of eight-inch PVC water line and appurtenances will replace six-inch (not four-inch) water lines. The installation of 8,400 linear feet of six-inch PVC water line and appurtenances replaces three-inch (not four-inch) water lines. The engineering plans and application both indicate that 3,400 linear feet of three-inch PVC water line and appurtenances will be installed to replace existing three-inch water lines.

The total cost of the project, including construction costs, legal and administrative costs, engineering costs, environmental assessment cost, interest, and contingencies, is \$1,050,000. Bronston Association proposes to finance the total cost of the proposed construction through the issuance of a \$787,000 promissory note to Rural Development ("RD") and an RD grant in the amount of \$263,000. The proposed \$787,000 note will mature over a 40-year period and will accrue interest at a rate not to exceed 1.875 percent per annum. Under the proposed rates, the monthly bill of a residential customer with a 5/8-inch X 3/4-inch meter who uses 5,000 gallons of water monthly will increase from \$39.67 to \$41.52, or approximately 4.7 percent.

Bronston Association has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.180, KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water associations

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 Bronston Association, 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 association's proposed facilities will result in the wasteful duplication of facilities or excessive investment or that its proposed rates are unfair, unjust, or unreasonable.

Bronston Association's application met the minimum filing requirements of KRS 278.023 on February 10, 2014. 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. Bronston Association is granted a Certificate of Public Convenience and Necessity for the proposed waterworks construction project as described in the engineering plans filed with the application.
2. Bronston Association's proposed plan of financing is accepted.
3. Bronston Association is authorized to issue to RD a promissory note that does not exceed the amount of \$787,000, that matures over a 40-year period, and that accrues interest at a rate not to exceed 1.875 percent per annum.

4. The proceeds from the proposed promissory note shall be used only for the purposes specified in Bronston Association's application and engineering plans.

5. Notwithstanding ordering paragraph 4, if surplus funds remain after the approved construction has been completed, Bronston Association 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 Bronston Association's rates for service. Bronston Association shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

6. Bronston Association 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.

7. Bronston Association 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.

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

9. The rates set forth in the Appendix to this Order are approved for service that Bronston Association renders on and after the date of this Order.

10. Within 20 days of the date of this Order, Bronston Association 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.

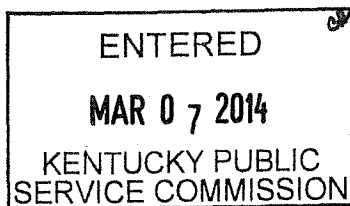
11. Within 30 days of the date of the issuance of the proposed promissory note to RD, Bronston Association shall file with the Commission a copy of such note and any documents referenced in that note that have not previously been filed with the Commission.

12. Any documents filed in the future pursuant to ordering paragraphs 5, 6, 8, and 11 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

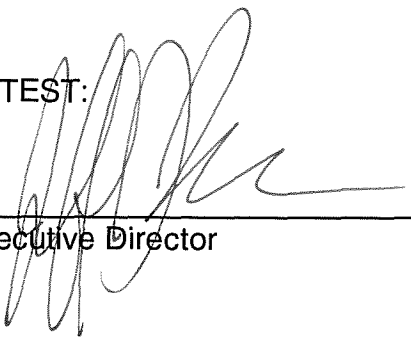
13. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by the Order upon Bronston Association's showing of good cause for such extension.

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



ATTEST:

  
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Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2014-00029 DATED **MAR 07 2014**

The following rates and charges are prescribed for the customers in the area served by Bronston Water Association, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

5/8- X 3/4-Inch Meter

First 1,500 Gallons	\$17.54 Minimum Bill
Over 1,500 Gallons	6.85 per 1,000 Gallons

1-Inch Meter

First 5,000 Gallons	\$40.47 Minimum Bill
Over 5,000 Gallons	6.85 per 1,000 Gallons

2-Inch Meter

First 20,000 Gallons	\$112.45 Minimum Bill
Over 20,000 Gallons	6.85 per 1,000 Gallons

4-Inch Meter

First 50,000 Gallons	\$264.85 Minimum Bill
Over 50,000 Gallons	6.85 per 1,000 Gallons

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