

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE ADAIR COUNTY WATER )  
DISTRICT FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY TO CONSTRUCT, ) CASE NO.  
FINANCE, AND INCREASE RATES PURSUANT TO ) 2014-00218  
KRS 278.023 )

ORDER

Adair County Water District ("Adair District") has applied to the Commission for a Certificate of Public Convenience and Necessity ("CPCN") to construct a water and sewer system improvements project (Contract No. 1, Contract No. 2, and Contract No. 3), for approval of its plan to finance the proposed project, and for an adjustment of its sewer rates. Adair District's application met the minimum filing requirements of KRS 278.023 on July 2, 2014.

In Contract No. 1, Adair District proposes the construction of sludge conditioning system upgrades at the Columbia Wastewater Treatment Plant to replace existing facilities damaged during the flood of May 2010. These upgrades consist of modifications to the existing sludge holding basin, sludge drying beds modifications, a new sludge press building, sludge and supernatant pumping facilities, and related appurtenances. Contract No. 2 includes the installation of 1,950 linear feet of eight-inch polyvinyl chloride ("PVC") sanitary sewer line, 550 linear feet of four-inch PVC sewer forcemain, four lift station replacements, and 10 manholes and appurtenances. Contract

No. 3 covers the rehabilitation of the Lindsay Wilson Water Storage Tank. The proposed project is needed to ensure that Adair District is able to provide safe and reliable water and wastewater disposal services. The total cost of the project, including legal and administrative, development cost, engineering costs, interest and contingencies, is \$3,275,000.<sup>1</sup>

Adair District proposes to finance the proposed construction with the proceeds of the issuance and sale of \$694,000 of its Utilities Revenue Bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture; two RD grants in the total amount of \$381,000; and an Economic Development Administration grant in the amount of \$2,200,000. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 1.875 percent per annum. Under the proposed rates, the monthly sewer bill of a residential customer who uses 5,000 gallons will increase from \$24.50 to \$31.00, or approximately 26.53 percent.

Adair District 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 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 Adair 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

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<sup>1</sup> Application, Final Engineering Report.

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.

IT IS THEREFORE ORDERED that:

1. Adair District is granted a CPCN for the proposed construction project.
2. Adair District's proposed plan of financing is accepted.
3. Adair District is authorized to issue \$694,000 of its Utilities Revenue Bonds maturing over 40 years at an interest rate not exceeding 1.875 percent per annum.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Adair District's application.
5. Adair District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
6. Notwithstanding ordering paragraph 5, if surplus funds remain after the approved construction has been completed, Adair 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 Adair District's rates for service. Adair District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
7. Adair 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. Adair 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. Adair 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. Adair 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 Adair District renders on and after the date of this Order.

12. Within 20 days of the date of this Order, Adair 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 6, 7, 8, and 10 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.


14. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by the Order upon Adair District'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

ENTERED  
JUL 23 2014  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2014-00218 DATED **JUL 23 2014**

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

Monthly Sewer Rates

Minimum Bill	\$ 5.00	No Usage
All Usage	5.20	per 1,000 gallons

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