

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE SOUTHERN WATER AND)	
SEWER DISTRICT FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2015-00192
CONSTRUCT, FINANCE AND INCREASE RATES)	
PURSUANT TO KRS 278.023)	

ORDER

Southern Water and Sewer District (“SWSD”) has applied to the Commission for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a waterworks improvement project, for approval of its plan to finance the proposed project, and for an increase of water rates. SWSD’s application met the minimum filing requirements of KRS 278.023 on June 16, 2015.

The proposed project consists of the installation of approximately 14,000 linear feet of 12-inch ductile iron pipe (“DIP”) water transmission main and related appurtenances to replace the existing 12-inch polyvinyl chloride (“PVC”) water transmission main extending from SWSD’s water treatment plant in Allen, Kentucky, to Martin, Kentucky.¹ The project also includes the installation of approximately 6,500 linear feet of 12-inch high density polyethylene water main. Approximately 64 new residential customers will be added as a result of this construction.² The project also

¹ Application, Final Engineering Report, Bid Tabulation.

² *Id.*

includes 14 water treatment plant improvements and upgrades to SWSD's water treatment plant in Allen, Kentucky.³

The proposed project will assist SWSD in maintaining and improving water service quality and reliability to SWSD's customers. The total cost of the project, including legal, administrative, development, and engineering costs, plus interest and contingencies, is \$3,190,000.⁴

SWSD proposes to finance the proposed construction with the proceeds of the issuance and sale of \$1,773,000 of its Waterworks Revenue Bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, and an RD grant in the amount of \$1,417,000. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 3.25 percent per annum. Under the proposed rates, the monthly bill of a residential water customer who uses 5,000 gallons will increase from \$47.87 to \$49.80, or approximately 4.03 percent. SWSD 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 SWSD, or to defer the issuance of all necessary orders to implement the terms of that agreement. It further

³ Intra-Agency Memorandum filed July 9, 2015. The 14 water treatment plant projects were included in SWSD's application to USDA Rural Development, and the projects are to help SWSD address deficiencies that have been identified by the Kentucky Division of Water.

⁴ Application, Final Engineering Report at 3.

denies the Commission any authority to reject an application when the evidence 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. SWSD is granted a CPCN for the proposed project as submitted.
2. This CPCN approval is limited to the project described in this Order, including the 14 water treatment plant improvements as specifically described in the intra-agency memorandum filed on July 8, 2015.
3. No determination is made in this Order regarding the need for or reasonableness of any additional construction that is not included in this Application, nor is the use of any proceeds from SWSD's proposed funding for those improvements authorized until and unless SWSD is granted a CPCN to construct such improvements.
4. SWSD's proposed plan of financing is approved.
5. SWSD is authorized to issue \$1,773,000 of its Waterworks Revenue Bonds maturing over 40 years at an interest rate not exceeding 3.25 percent per annum.
6. The proceeds from the proposed bond issuance shall be used only for the purposes specified in SWSD's application.
7. SWSD shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

8. Notwithstanding ordering paragraphs 6 and 7, if surplus funds remain after the approved construction has been completed, SWSD 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 SWSD's rates for service. SWSD shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

9. SWSD 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.

10. SWSD 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.

11. SWSD 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.

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

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

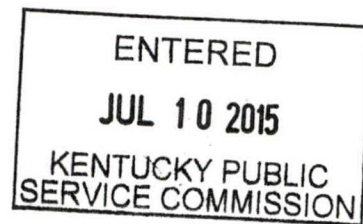
14. Within 20 days of the date of this Order, SWSD shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates set forth in the Appendix to this Order.

15. Any documents filed in the future pursuant to ordering paragraphs 9, 10, and 12 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

16. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon SWSD'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:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00192 DATED **JUL 10 2015**

The following rates and charges are prescribed for the customers in the area served by Southern Water and Sewer 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 Water Rates

First	2,000 gallons	\$24.60	Minimum bill
Over	2,000 gallons	8.40	per 1,000 gallons

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