

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE RATTLESNAKE RIDGE)	
WATER DISTRICT FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2015-00040
CONSTRUCT, FINANCE AND INCREASE RATES)	
PURSUANT TO KRS 278.023)	

ORDER

Rattlesnake Ridge Water District ("RRWD") has applied to the Commission for a Certificate of Public Convenience and Necessity ("CPCN") to construct a waterworks improvement project, also known as Phase X; for approval of its plan to finance the proposed project; and for an adjustment of rates. RRWD's application met the minimum filing requirements of KRS 278.023 on February 23, 2015.

In Phase X, RRWD proposes the construction and installation of a 100,000-gallon elevated water storage tank and appurtenances to be located adjacent to the existing McConnell Branch standpipe, which it replaces. The project also includes the demolition of the existing tank.¹ The existing 97,000-gallon standpipe is 29 years old and is suffering from deterioration and leaks.² It provides water service to the western edge of RRWD in Carter County near the city of Olive Hill's south side and the northeastern edge of Elliott County.³ It also provides backup service to KY 504 and a

¹ Final Engineering Report, Section 6, As-Bid Project Cost, Item 6.

² Final Engineering Report, Section 1.

³ *Id.*

state prison.⁴ The proposed elevated tank will provide improved water service to customers served by the existing standpipe. The total cost of the project, including legal, administrative, development, and engineering costs, plus interest and contingencies, is \$670,000.⁵

RRWD proposes to finance the proposed construction with the proceeds of the issuance and sale of \$200,000 of its Waterworks Revenue Bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, an RD grant in the amount of \$300,000, and an Appalachian Regional Commission grant in the amount of \$170,000. The proposed bonds will mature over a 40-year period and will accrue interest at a rate not to exceed 3.25 percent per annum. Under the proposed rates, the monthly water bill of a residential customer who uses 5,000 gallons will increase from \$66.68 to \$67.24, or approximately 0.84 percent.

RRWD 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 RRWD, or to defer the issuance of any necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of

⁴ *Id.*

⁵ Final Engineering Report, Section 6, As-Bid Project Cost, Item 6.

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. RRWD is granted a CPCN for the proposed construction project.
2. RRWD's proposed plan of financing is approved.
3. RRWD is authorized to issue \$200,000 of its Waterworks Revenue Bonds maturing over 40 years at an interest rate not exceeding 3.25 percent per annum.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in RRWD's application.
5. RRWD 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, RRWD 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 RRWD's rates for service. RRWD shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
7. RRWD 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. RRWD 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. RRWD 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. RRWD 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 RRWD renders on and after the date of this Order.

12. Within 20 days of the date of this Order, RRWD 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.

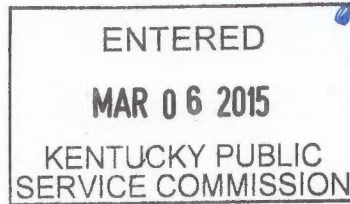
13. RRWD shall adopt inspection procedures and ensure its water storage facilities are inspected annually as required in 807 KAR 5:006, Section 26(6)(b).

14. Any documents filed 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.

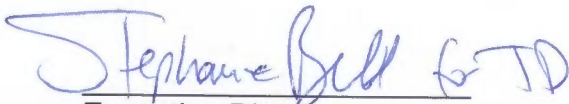
15. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon RRWD's showing of good cause for such extension.

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. 2015-00040 DATED **MAR 06 2015**

The following rates and charges are prescribed for the customers in the area served by Rattlesnake Ridge 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 WATER RATES

5/8-Inch X 3/4-Inch Meter

First	1,000	gallons	\$ 19.32	Minimum bill
Next	4,000	gallons	11.98	per 1,000 gallons
Next	5,000	gallons	10.33	per 1,000 gallons
Next	10,000	gallons	8.89	per 1,000 gallons
Next	20,000	gallons	6.27	per 1,000 gallons
All Over	40,000	gallons	4.96	per 1,000 gallons

3/4-Inch Meter

First	5,000	gallons	\$ 67.24	Minimum bill
Next	5,000	gallons	10.33	per 1,000 gallons
Next	10,000	gallons	8.89	per 1,000 gallons
Next	20,000	gallons	6.27	per 1,000 gallons
All Over	40,000	gallons	4.96	per 1,000 gallons

1-Inch Meter

First	10,000	gallons	\$ 118.89	Minimum bill
Next	10,000	gallons	8.89	per 1,000 gallons
Next	20,000	gallons	6.27	per 1,000 gallons
All Over	40,000	gallons	4.96	per 1,000 gallons

1 1/2-Inch Meter

First	30,000	gallons	\$ 270.49	Minimum bill
Next	10,000	gallons	6.27	per 1,000 gallons
All Over	40,000	gallons	4.96	per 1,000 gallons

2-Inch Meter

First	50,000	gallons	\$ 382.79	Minimum bill
All Over	50,000	gallons	4.96	per 1,000 gallons

3-Inch Meter

First	100,000	gallons	\$ 630.79	Minimum bill
All Over	100,000	gallons	4.96	per 1,000 gallons

4-Inch Meter

First	200,000	gallons	\$ 1,126.79	Minimum bill
All Over	200,000	gallons	4.96	per 1,000 gallons

6-Inch Meter

First	500,000	gallons	\$ 2,614.79	Minimum bill
All Over	500,000	gallons	4.96	per 1,000 gallons

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