

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER	)	
DISTRICT NO. 1 FOR: (1) A CERTIFICATE OF	)	
PUBLIC CONVENIENCE AND NECESSITY	)	
AUTHORIZING CONSTRUCTION OF ADDITIONS	)	
AND IMPROVEMENTS TO ITS WATER SYSTEM: (2)	)	CASE NO.
APPROVAL OF REVISED WATER SERVICE RATES	)	2017-00144
AND CHARGES; AND (3) AUTHORIZING THE	)	
ISSUANCE OF CERTAIN SECURITIES PURSUANT	)	
TO THE PROVISIONS OF KRS 278.023 AND 807	)	
KAR 5:069	)	

ORDER

Hardin County Water District No. 1 (“Hardin County”) 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 in water rates. Hardin County’s application met the minimum filing requirements of KRS 278.023 on March 22, 2017.

The proposed project consists of the installation of approximately 8,400 linear feet of 16-inch ductile iron transmission main and approximately 6,000 linear feet of six-inch water lines along KY 1500, KY 144, and Drake Road to allow the existing 12-inch water line to be retired and maintain service to existing customers.<sup>1</sup>

The proposed project will be the final project in a series of projects since 1992 to provide a continuous 16-inch transmission main from the Pirtle Spring Water Treatment

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<sup>1</sup> Application, page 2, paragraph 6.

Plant to Hardin County's main Lincoln Trail elevated water storage tank in Radcliff. This project will also allow Meade County Water District ("Meade County") to connect to this new 16-inch main and enable Meade County to purchase up to 100 percent of its water needs from Hardin County.<sup>2</sup> Finally, any surplus funds will be used to complete the abandonment of the 1982 12-inch main, which will be replaced by the new 16-inch main. This will include two sections or spurs of new six-inch mains to continue service to current customers of the city of Vine Grove.<sup>3</sup>

The total cost of the project, including legal, administrative, development, and engineering costs, plus interest and contingencies, is \$1,318,000.

Hardin County proposes to finance the proposed construction with a loan from the United States Department of Agriculture ("USDA"), Rural Utilities Service, Rural Development ("RD") for \$1,318,000 amortized over a 40-year period at an interest rate not to exceed 2.75 percent per annum, as set out in the letter from RD of August 22, 2016. Nevertheless, the interest rate will be equal to the lower of the rate in effect at the time of loan approval, or the rate in effect at the time of closing.<sup>4</sup>

Under the proposed rates, the monthly bill of a residential water customer using 5,000 gallons of water will increase from \$27.52 to \$32.47, or approximately 17.99 percent.

Hardin County has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.190, and KRS 278.300, KRS 278.023

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<sup>2</sup> *Id.*

<sup>3</sup> *Id.*, Item 7.

<sup>4</sup> *Id.*, Exhibit 1, Letter from Thomas G. Fern, State Director, USDA, dated August 22, 2016.

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 Hardin County, 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 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. Hardin County is granted a CPCN for the proposed project as submitted.
2. 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 Hardin County's proposed funding for those improvements authorized until and unless Hardin County is granted a CPCN to construct such improvements.
3. Hardin County's proposed plan of financing is approved.
4. Hardin County is authorized to issue \$1,318,000 of its water system revenue bonds, maturing over 40 years, at an interest rate not to exceed the lower of

2.75 percent per annum or the interest rate in effect at loan approval or the interest rate in effect at the time of loan closing.

5. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Hardin County's application.

6. Hardin County shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

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

8. Hardin County 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.

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

12. The rates set forth in the Appendix to this Order are approved for service that Hardin County renders on and after the date of May 1, 2017.

13. Within 20 days of the date of this Order, Hardin County 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.

14. Any documents filed in the future pursuant to ordering paragraphs 7, 8, 9, and 11 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 Hardin County'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  
APR 17 2017  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2017-00144

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2017-00144 DATED **APR 17 2017**

The following rates and charges are prescribed for the customers in the area served by Hardin County Water District No. 1. 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

Customer Charge

5/8-Inch Meter	\$ 5.92	Minimum bill
3/4-Inch Meter	\$ 8.89	Minimum bill
1-Inch Meter	\$ 14.81	Minimum bill
1 1/2-Inch Meter	\$ 29.62	Minimum bill
2-Inch Meter	\$ 47.39	Minimum bill
3-Inch Meter	\$ 88.85	Minimum bill
4-Inch Meter	\$ 148.09	Minimum bill
6-Inch Meter	\$ 296.18	Minimum bill

Volume Charge

First	15,000	gallons	\$ 5.31	per 1,000 gallons
All Over	15,000	gallons	\$ 3.82	per 1,000 gallons

Wholesale Rate

\$ 2.36 per 1,000 gallons

Private Fire Line or Hydrant Charge

1 1/2-Inch Meter	\$ 0.76	per Month
2-Inch Meter	\$ 1.62	per Month
3-Inch Meter	\$ 4.72	per Month
4-Inch Meter	\$ 10.04	per Month
6-Inch Meter	\$ 29.15	per Month
8-Inch Meter	\$ 62.15	per Month

\*Honorable David T Wilson II  
Attorney at Law  
Skeeters, Bennett, Wilson & Pike  
550 West Lincoln Trail Boulevard  
P.O. Box 610  
Radcliff, KENTUCKY 40160

\*Jim Bruce  
General Manager  
Hardin County Water District #1  
1400 Rogersville Road  
Radcliff, KY 40159-0489

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Radcliff, KY 40159-0489