

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE MOUNTAIN)	
WATER DISTRICT FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY TO CONSTRUCT A SEWER)	2018-00400
IMPROVEMENTS PROJECT AND AN)	
ORDER AUTHORIZING THE ISSUANCE)	
OF SECURITIES PURSUANT TO KRS 278.023)	

ORDER

On December 3, 2018, Mountain Water District (Mountain District) filed an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity (CPCN) to construct sewer system improvements, for approval of its plan to finance the proposed project, and for an increase in its sewer rates. No person has sought intervention in this matter, and Mountain District has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Mountain District, a water district organized under KRS Chapter 74, provides sewer service to approximately 2,243 customers in Pike and Floyd Counties, Kentucky.¹

The proposed project consists of the construction of a membrane bioreactor wastewater treatment plant and appurtenances. The initial capacity of the proposed wastewater treatment plant will be 300,000 gallons per day, with an ultimate capacity of 400,000 gallons per day. The collection system will be along U.S. Highway 119 north

¹ *Annual Report of Mountain Water District, Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2017*, at 9 and 25.

and south, serving the Pond Creek area.² Most of the project area has no public sewer system; this proposed project will provide an alternative to wastewater disposal through privately owned package plants, septic tanks, or straight pipes.³

The total cost of the project, including legal, administrative, development, land and rights, and engineering, plus interest and contingencies, is \$8,120,000. This project is to be financed with the issuance of \$3,653,000 of Mountain District's Sewer System Revenue Bonds, a grant from the United States Department of Agriculture, acting through Rural Development (RD) in the amount of \$1,117,000, a grant from the Appalachian Regional Commission in the amount of \$500,000, and a Kentucky Coal Severance grant in the amount of \$2,850,000.⁴ Mountain District has a commitment from RD to purchase the \$3,653,000 of bonds maturing over a 40-year period at an interest rate 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.⁵ Mountain District states that the actual interest rate will not exceed 2.50 percent.

Mountain District has submitted its application pursuant to KRS 278.020 and KRS 278.023. Notwithstanding KRS 278.020(1), 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

² Preliminary Engineering Report, Page 2.

³ *Id.*

⁴ Application, Paragraph 5.

⁵ *Id.* at Exhibit A.

to modify or reject any portion of the agreement between RD and Mountain 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 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. Mountain District is granted a CPCN for the proposed projects as submitted.
2. Mountain District's proposed plan of financing is approved.
3. Mountain District is authorized to issue \$3,653,000 of Mountain District's Sewer System Revenue Bonds at an interest rate to be equal to the lower of the rate in effect at the time of loan approval or the interest rate in effect at the time of closing, not to exceed 2.50 percent.
4. The proceeds from the promissory note shall be used only for the purposes specified in Mountain District's application.
5. Mountain District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
6. Notwithstanding ordering paragraphs 4 and 5, if surplus funds remain after the approved construction has been completed, Mountain 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 Mountain District rates for service. Mountain

District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Mountain 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. Mountain 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. Mountain 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. Mountain 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 Mountain District renders on and after the date of this order.

12. Within 20 days of the date of entry of this Order, Mountain 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 7, 8, and 10 of this Order shall reference this case number and shall be retained in the utility's post-case correspondence file.

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

15. This case is closed and removed from the Commission's docket.

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. 2018-00400 DATED **DEC 21 2018**

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

Monthly Sewer Rates

First	2,000	Gallons	\$29.82	Minimum bill
Over	2,000	Gallons	12.78	per 1,000 Gallons

Sewer Customers Without Metered Water Service

Flat Rate	\$61.77
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