

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WOOD CREEK WATER DISTRICT)	
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY TO CONSTRUCT A SEWER)	CASE NO.
IMPROVEMENT PROJECT AND AN ORDER)	2018-00066
AUTHORIZING THE ISSUANCE OF SECURITIES)	
AND INCREASE RATES PURSUANT TO KRS)	
278.023)	

ORDER

On February 12, 2018, Wood Creek Water District (“Wood Creek”) submitted an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a sewer improvement project, approval of financing of the proposed project, and to increase rates. By letter dated February 22, 2018, the Commission notified Wood Creek that its application was rejected because it contained certain filing deficiencies. On March 2, 2018, Wood Creek submitted additional information to correct the filing deficiencies, and the application was deemed filed as of March 2, 2018. No person has sought intervention in this matter, and Wood Creek has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Wood Creek, a water and sewer district organized under KRS Chapter 74, provides retail sewer service to approximately 1,267 customers in Laurel County, Kentucky.¹

¹ *Annual Report of Wood Creek Water District – Wastewater Division, Sewer Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2016* at 9 and 25.

Wood Creek's application for a CPCN proposes the construction of approximately 8,800 linear feet of 2- and 3-inch sewer force mains; a 700 gallons-per-minute sanitary lift station with appurtenances; the purchase of 300 grinder pumps, and a trailer-mounted generator.² This project will replace an existing lift station and extend existing sewer lines to accommodate new customers. The current lift station and septic systems are outdated and have reached the end of their usable life. These septic tanks are prone to flooding and leaking, which creates a health and sanitation risk to the customers. This project will allow for the abandonment of these items and provide customers with new components, ensuring that there is no health or sanitation hazard due to failing septic tanks.

The total estimated cost of the proposed project, including legal and administrative, development and engineering, plus interest and contingencies costs, is \$1,280,000.³

Wood Creek proposes to finance the proposed construction with a loan of \$896,000 from the United States Department of Agriculture ("USDA") Rural Development ("RD") for a 40-year period at an interest rate not to exceed 2.75 percent annum⁴ and a \$384,000 grant from RD.⁵

Wood Creek's proposed rates meet the total revenue requirements recommended in the engineering reports. The monthly bill of an average sewer customer using 5,685 gallons of water will increase from \$54.59 to \$58.28, or by approximately 6.76 percent.⁶

² Application at 1.

³ Application, Exhibit A at 10.

⁴ *Id.* at 2; *Id.*, Exhibit A at 17.

⁵ *Id.* at 2; *Id.*, Exhibit A at 1 and 10.

⁶ Application, Exhibit D at 2

Wood Creek has submitted its application pursuant to 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 to modify or reject any portion of the agreement between RD and Wood Creek, or to defer the issuance of all necessary orders to implement the terms of the 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 water rates are unfair, unjust, or unreasonable. Therefore, the Commission is unable to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

Having reviewed the record and being sufficiently advised, the Commission finds that:

1. The record for this case is complete.
2. Wood Creek is an entity authorized to submit an application for Commission approval of a federally funded construction project pursuant to KRS 278.023.
3. The proposed construction will not result in wasteful duplication of existing facilities.
4. The proposed construction does not conflict with any existing certificates or service of any other utility operating in the area.

5. Public convenience and necessity require the proposed construction, which will allow Wood Creek to continue providing reliable and adequate sewer service to its customers.

6. The project will be financed through the issuance of a loan and a grant from RD.

IT IS THEREFORE ORDERED that:

1. Wood Creek is granted a CPCN for the proposed project as submitted.

2. Wood Creek's proposed plan of financing is approved.

3. Wood Creek is authorized to enter into a loan agreement in an amount not to exceed \$896,000 with RD, maturing over a 40-year period, at an interest rate not to exceed the lower of 2.75 percent per annum and 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.

4. The proceeds from the loan shall be used only for the purposes specified in Wood Creek's application.

5. Wood Creek 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, Wood Creek 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 Wood Creek's rates for service. Wood Creek shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Wood Creek 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. Wood Creek 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. Wood Creek 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. Wood Creek 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 Wood Creek renders on and after the date of this Order.

12. Within 20 days of the date of entry of this Order, Wood Creek 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 Wood Creek'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.

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By the Commission



ATTEST:



Executive Director

Case No. 2018-00066

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00066 DATED **MAR 16 2018**

The following rates and charges are prescribed for the customers in the area served by Wood Creek Water District – Sewer Division. 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.

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

First	2,000 Gallons	\$25.86	Minimum bill
Next	1,500 Gallons	9.37	per 1,000 Gallons
Next	1,500 Gallons	8.69	per 1,000 Gallons
Next	2,500 Gallons	7.78	per 1,000 Gallons
Over	7,500 Gallons	6.79	per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$52.96	Minimum bill
Next	2,500 Gallons	7.78	per 1,000 Gallons
Over	7,500 Gallons	6.79	per 1,000 Gallons

2-Inch Meter

First	20,000 Gallons	\$157.28	Minimum bill
Over	20,000 Gallons	6.79	per 1,000 Gallons

3-Inch Meter

First	30,000 Gallons	\$225.15	Minimum bill
Over	30,000 Gallons	6.79	per 1,000 Gallons

6-Inch Meter

First	100,000 Gallons	\$700.28	Minimum bill
Over	100,000 Gallons	6.79	per 1,000 Gallons

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