

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WESTERN PULASKI)	
COUNTY WATER DISTRICT FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	CASE NO.
AND NECESSITY TO CONSTRUCT A)	2018-00203
WATER IMPROVEMENTS PROJECT AND)	
AN ORDER AUTHORIZING THE ISSUANCE)	
OF SECURITIES AND INCREASE RATES)	
PURSUANT TO KRS 278.023)	

ORDER

On June 19, 2018, Western Pulaski County Water District (Western Pulaski District) filed an application, pursuant to KRS 278.023, 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 the water rates. No person has sought intervention in this matter, and Western Pulaski District has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Western Pulaski District, a water district organized under KRS Chapter 74, provides retail water service to approximately 8,524 customers in Pulaski County, Russell County and Wayne County, Kentucky.¹

The proposed project consists of two projects: (1) the installation of approximately 45,500 linear feet of eight-inch water transmission main plus all necessary appurtenances

¹ *Annual Report of Western Pulaski County Water District, Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2016*, at 12 and 48.

and two booster pump stations and (2) the renovation of the Denham Knob water storage tank.² The proposed project will serve to eliminate ongoing maintenance issues with the current transmission line, eliminate several undersized water lines, and improve the quality of water flow. Additionally, the project will allow Western Pulaski District's distribution system to utilize a 500,000 gallons water tank and booster pump, which has been out of service due to lack of water volume, to serve the northwest portion of the system. The project will improve water service to approximately 3,000 customers in the Northwestern and Southwestern Zones of Western Pulaski District's service area.³

The total cost of the project, including legal, administrative, development, land and rights, and engineering, plus interest and contingencies cost, is \$3,079,000. This project is to be financed with the issuance of \$2,225,000 of its Waterworks Revenue Bonds and a Rural Development (RD) grant in the amount of \$854,000.⁴ Western Pulaski District has a commitment from RD to purchase the \$2,225,000 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 Western Pulaski District states that the actual interest rate will not exceed 2.50 percent.

Under the proposed rates, the monthly bill of a water customer with a 5/8" X 3/4" meter using 2,000 gallons of water will increase from \$15.34 to \$17.58, or approximately 14.60 percent.⁶

² Application, Paragraph 4.

³ Preliminary Engineering Report, Item 4.

⁴ *Id.* Paragraph 5.

⁵ *Id.* and Exhibit A.

⁶ *Id.* at Exhibit D.

Western Pulaski District has submitted its application pursuant to KRS 278.20 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 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 Western Pulaski 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 association'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. Western Pulaski District is granted a CPCN for the proposed project as submitted.
2. Western Pulaski District's proposed plan of financing is approved.
3. Western Pulaski District is authorized to issue \$2,225,000 of Western Pulaski County Water District Waterworks 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 2.5 percent.
4. The proceeds from the promissory note shall be used only for the purposes specified in Western Pulaski District's application.

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

7. Western Pulaski 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. Western Pulaski 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. Western Pulaski 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. Western Pulaski 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 Western Pulaski renders on and after the date of this Order.

12. Within 20 days of the date of entry of this Order, Western Pulaski 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.

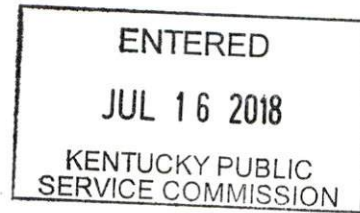
13. Any documents filed in the future pursuant to ordering paragraphs 7, 8, and 10 of this Order shall reference this case number and shall be retained in the utility's post case correspondence file.

14. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Western Pulaski'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

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2018-00203 DATED **JUL 16 2018**

The following rates and charges are prescribed for the customers in the area served by Western Pulaski County 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.

5/8" X 3/4-Inch Meter

First 2,000 Gallons	\$17.58 Minimum Bill
Over 2,000 Gallons	6.31 per 1,000 Gallons

1-Inch Meter

First 10,000 Gallons	\$67.82 Minimum Bill
Over 10,000 Gallons	6.31 per 1,000 Gallons

1 1/2-Inch Meter

First 15,000 Gallons	\$99.22 Minimum Bill
Over 15,000 Gallons	6.31 per 1,000 Gallons

2-Inch Meter

First 20,000 Gallons	\$130.62 Minimum Bill
Over 20,000 Gallons	6.31 per 1,000 Gallons

3-Inch Meter

First 30,000 Gallons	\$193.42 Minimum Bill
Over 30,000 Gallons	6.31 per 1,000 Gallons

*Western Pulaski County Water District
2128 West Highway 80
Somerset, KY 42503

*Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202