

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MOUNTAIN WATER DISTRICT)	
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY TO CONSTRUCT A WATER)	CASE NO.
IMPROVEMENTS PROJECT AND AN ORDER)	2019-00346
AUTHORIZING THE ISSUANCE OF SECURITIES)	
PURSUANT TO KRS. 278.023)	

ORDER

On September 13, 2019, Mountain Water District (Mountain District) filed an application, pursuant to KRS 278.023, requesting a Certificate of Public Convenience and Necessity (CPCN) to construct a water system improvements project and approval of the proposed plan of financing the project. No party has sought intervention in this matter. 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 retail water service to approximately 16,611 water customers,¹ in Pike County, Kentucky.² The proposed project involves replacing all of the district’s residential water meters and contracting for the installation of those meters. The existing meters are nearing the end of their functional lives and contributing to unaccounted water loss and ultimately a loss of revenue.³

¹ *Annual Report of Mountain Water District for the Year Ended December 31, 2018*, at 49.

² *Id* at 12.

³ Application Exhibit A.

The total cost of the proposed project, including but not limited to engineering, development, legal and administrative, interest, plus contingencies, is \$3,500,000.⁴ This project will be financed through the issuance of \$3,150,000 of its Waterworks Revenue Bonds, maturing over 40 years with an interest rate not to exceed 3.125 percent per annum; and a grant in the amount of \$350,000 from the United States Department of Agriculture (USDA) acting through Rural Development (RD).⁵ Mountain District is not proposing a change in rates related to the proposed project.

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 the USDA/RD regarding construction projects and to issue the necessary orders to implement the terms of such agreements no later than 30 days after filing the application with the Commission. KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between the USDA/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 utility's proposed facilities will result in the wasteful duplication of facilities, 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.

⁴ Application at paragraph 28.

⁵ *Id.* at 5

IT IS THEREFORE ORDERED that:

1. Mountain District is granted a CPCN for the proposed project as submitted.
2. Mountain District's proposed plan of financing is approved.
3. Mountain District is authorized to issue water revenue bonds in the amount of \$3,150,000, maturing over a period not to exceed 40 years with an interest rate not to exceed 3.125 percent per annum that will be purchased by USDA/RD.
4. The proceeds from the water revenue bonds shall be used only for the purposes specified in Mountain District's application.
5. Mountain District is authorized to obtain a grant in the amount of \$350,000 from USDA/RD.
6. Mountain District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
7. Notwithstanding ordering paragraphs 4 and 6, if surplus funds remain after the approved construction has been completed, Mountain District may use such surplus to construct additional plant facilities if USDA/RD approves of the use and the additional construction, and it will not result in a change in Mountain District's rates for service. Mountain District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
8. 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 costs shall be classified into appropriate plant

accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

9. 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.

10. 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.

11. Mountain District shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

12. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 8, 9, and 11 of this Order shall reference this case number and shall be retained in the post-case correspondence file.

13. 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.

14. 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 approved.

By the Commission

ENTERED
OCT 07 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

*Roy Sawyers
Mountain Water District
P. O. Box 3157
Pikeville, KY 41502

*Mountain Water District
6332 Zebulon Highway
P. O. Box 3157
Pikeville, KY 41502-3157

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