

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTH	)	CASE NO.
HOPKINS WATER DISTRICT FOR APPROVAL OF	)	2022-00025
A LOAN PURSUANT TO KRS 278.300	)	

ORDER

On January 20, 2022, South Hopkins Water District (South Hopkins District) filed a letter requesting Commission authorization to enter into a loan to purchase a service truck to replace a service truck that was totaled during the December 2021 tornadoes. The letter is attached as an Appendix to this Order. The Commission will treat the letter as an application for emergency relief arising from the December 10, 2021 tornadic event.

LEGAL STANDARD

In accordance with KRS 278.300, a utility must obtain prior approval from the Commission before issuing any securities or evidence of indebtedness. KRS 278.300(3) requires that to be approved by the Commission, the proof of debt must be: (1) for some lawful object within the corporate purposes of the utility; (2) necessary or appropriate for the proper purpose by the utility of its service to the public; and (3) will not impair the utility's ability to perform that service and is reasonably necessary to perform that service.

BACKGROUND

Pursuant to Executive Order 2021-923, there exists a state of emergency in Kentucky beginning on December 10, 2021, resulting from a "powerful severe weather system generating heavy rain, thunderstorms, tornadoes, and strong straight-line winds

impacted the Commonwealth of Kentucky, causing flash flooding, loss of power, damage to public infrastructure and private properties.”<sup>1</sup> The conditions arising from the severe weather endangered public health and safety.

In its request, South Hopkins District requested approval of a \$50,000 to \$60,000 loan with a five-year term to replace a three-quarter-ton service truck that was totaled during the December 2021 tornadoes.

### DISCUSSION AND FINDINGS

Due to the emergency nature of the request for relief, the Commission finds, on its own motion, that good cause exists for South Hopkins District to be granted a deviation from the filing requirements of 807 KAR 5:001, Sections 4 and 18. The Commission further finds that South Hopkins District should file a verified form of its January 20, 2022 letter signed under oath in compliance with KRS 278.300(2).

Commission Staff reviewed financial information provided by South Hopkins District in annual filings and previous cases. South Hopkins District’s 2020 Annual Report reported 3,009 residential, commercial, industrial customers, and public authorities, with \$1,676,625 in operating revenues and \$1,601,998 in operating expenses.<sup>2</sup> In 2020, South Hopkins District reported a 28.9934 percent unaccounted for water loss.<sup>3</sup> In its 2020 audit, South Hopkins District had a total net financial position of \$770,600. As of

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<sup>1</sup> Executive Order 2021-923 (Dec. 11, 2021), <http://web.sos.ky.gov/execjournalimages/2021-MISC-2021-0923-277844.pdf>

<sup>2</sup> *Annual Report of South Hopkins Water District to the Public Service Commission for the Year Ended December 31, 2020* at 20 and 51.

<sup>3</sup> *Id.* at 59. Pursuant to 807 KAR 5:066, Section 6(3), unaccounted-for water loss should not exceed 15% of total water produced and purchased. According to South Hopkins District’s response to the 2020 periodic water inspection, South Hopkins District works daily on finding and repairing leaks, and referenced that some of the pipes are 50 years old, with age-related breaks and leaks.

December 31, 2020, South Hopkins District had \$1,001,934 in long-term debt, representing a balance of \$553,034 on a 20-year term loan and \$448,900 in outstanding revenue bonds, according to the 2020 audit, were paid as scheduled.<sup>4</sup> South Hopkins District's last rate increase was approved in April 2019 in an alternative rate adjustment case.<sup>5</sup>

Based upon the above information, the Commission finds good cause to authorize South Hopkins District to enter into a five-year term loan for a maximum of \$60,000. South Hopkins District should use its best efforts to obtain the most favorable interest rate terms and prioritize federal relief loans at rates not available from private lenders because South Hopkins District is located in a declared disaster area.

KRS 278.170(2) allows a utility to provide free or reduced rate service with abbreviated notice to the Commission in the event of a "calamity," such as the December 2021 tornadic events. While there is not a similar provision regarding expedited review under KRS 278.300 arising from an emergency such as occurred in South Hopkins District's service area, the Commission recognizes the urgent need to replace the service truck to carry out the lawful object within the utility's corporate purpose to provide safe, adequate, and reliable service is akin to the need for rate relief during an emergency. Further, the Commission finds that the legal standards established in KRS 278.300(3) have been satisfied. The evidence of indebtedness is to replace a service truck destroyed in a tornado event; the service truck is necessary for South Hopkins District to provide safe, adequate, and reliable service to its customers, and this is for a law object with

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<sup>4</sup> 2020 Audit of South Hopkins Water District (filed July 9, 2021).

<sup>5</sup> Case No. 2018-00387, *Application of South Hopkins Water District for an Alternative Rate Adjustment* (Ky. PSC Apr. 16, 2019).

South Hopkins District's corporate purpose. The replacement of the service truck is necessary for the proper performance of South Hopkins District's purpose of providing safe, adequate, and reliable service. Finally, based upon financial information set forth above, the \$60,000 loan will not impair South Hopkins District's ability to provide safe, adequate, and reliable service and is necessary for that purpose.

IT IS THEREFORE ORDERED that:

1. South Hopkins District is authorized to borrow no more than \$60,000 for a five-year term to purchase a replacement service truck.
2. South Hopkins District shall execute the loan documents as authorized in this Order.
3. Within ten days of the date of this Order, South Hopkins District shall file a verified form of its January 20, 2022 letter that is signed under oath in compliance with KRS 278.300(2).
4. South Hopkins District shall use its best efforts to obtain the most favorable interest rate terms and prioritize federal relief loans at rates not available from private lenders.
5. Within ten days of execution of the loan documents, South Hopkins District shall file with the Commission an electronic version of the loan documents.
6. The proceeds from the proposed loan should be used only for the lawful purposes set out in South Hopkins District's application.
7. The terms and conditions of the proposed loan should be used only for the lawful purposes set out in South Hopkins District's application.

8. Any documents filed pursuant to ordering paragraphs 3 and 5 shall be filed in the post-case correspondence file in this case and shall include the case number.

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

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By the Commission

ENTERED  
JAN 31 2022 rcs  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2022-00025

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00025 DATED JAN 31 2022

ONE PAGE TO FOLLOW

Commissioners:  
Robert Tucker, Chairman  
Deborah Duncan  
Roy McGregor

## **South Hopkins Water District**

Phone 270-797-5760  
Fax 270-797-3800  
129 S. Main St. P. O. Box 487  
Dawson Springs, KY 42408

January 20, 2022

Linda Bridwell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd  
Frankfort, KY 40601

Dear Mrs. Bridwell:

South Hopkins Water District is requesting PSC approval of a loan to purchase a new service truck to replace the one totaled during the tornado that happened December 10, 2021. The loan would be around \$50,000 to \$60,000 and would be for five years. It would be for a three-quarter ton truck. Thank you so much!

Sincerely,

Kayla Goodaker  
Office Manager  
South Hopkins Water District



\*South Hopkins Water District  
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P. O. Box 487  
Dawson Springs, KY 42408

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