

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST CASEY)	
COUNTY WATER DISTRICT FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY TO CONSTRUCT A SYSTEM)	CASE NO.
IMPROVEMENTS PROJECT AND AN ORDER)	2022-00316
APPROVING AN INCREASE IN RATES AND)	
AUTHORIZING THE ISSUANCE OF SECURITIES)	
PURSUANT TO KRS 278.023)	

ORDER

On September 29, 2022, East Casey County Water District (East Casey District) filed an application, pursuant to KRS 278.023, requesting (1) a Certificate of Public Convenience and Necessity (CPCN) to construct two pump stations, upgrade a third pump station, construct a 200,000-gallon storage tank, and to purchase and install 1,000 radio read meters, (2) approval of the proposed plan for financing the project via a loan agreement and grant from the Kentucky Rural Utilities Service (RUS) and administered by the United States Department of Agriculture Rural Development (RD), and (3) approval of proposed rate changes required by said agreement. No party has sought intervention in this matter. This matter now stands submitted for a decision by the Commission.

East Casey District has submitted its application pursuant to KRS 278.023. The Commission is required, pursuant to KRS 278.023, to accept agreements between water utilities and 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 RD and East Casey District or defer the issuance of all necessary orders to implement the terms of that agreement. Pursuant to KRS 278.023, the statute further denies the Commission any authority to reject an application when the evidence of record indicates that a water utility's proposed construction will result in the wasteful duplication of facilities, resulting in an excessive investment, or its proposed rates are unfair, unjust, or unreasonable. As explained in KRS 278.023(1), the limits on the Commission's review are because federal financing of these projects entails prior review and oversight by a federal agency and obligates the utility to take certain actions; conflicting requirements between the federal agency and the Commission may jeopardize the project and place the utility in an untenable position. 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. The legal standard established in KRS 278.023 requires that (1) the applicant be a water utility formed under KRS Chapter 74 or 273; and (2) the construction project must be funded in whole or in part under terms of an agreement between the water utility, United States Department of Agriculture or United States Department of Housing and Urban Development.

The Commission is not, however, prohibited by KRS 278.023 from requiring a utility seeking approval of such an agreement to subsequently file reports or other information in order to monitor the utility's ability to repay the loan, meet other financial or regulatory obligations, or otherwise establish its financial condition.

BACKGROUND

East Casey District is a water district organized under KRS Chapter 74. It proposed three projects. First, East Casey District proposed to replace the Henson Creek Hydro Pneumatic Pump Station and the Walnut Hill Pump Station with new, above-ground pump stations and upgrade the Shugars Hill Pump Station.¹ Second, it proposed construction of a 200,000-gallon elevated tank to replace an existing ground storage tank.² Lastly, East Casey District proposed the purchase and installation of 1,000 radio read water meters with meter reading software and hardware to sync with the existing system in place at telemetry units.³

East Casey District proposed to fund this project via a RUS loan not to exceed \$1,202,000 and a RUS grant not to exceed \$718,000 approved by RD.⁴ The agreement with RUS/RD requires that East Casey District charge minimum rates.⁵ These rates exceed East Casey District's current rates.⁶ The new rates represent an increase of between 31 and 32 percent for residential and commercial customers.⁷

East Casey District requests this rate change in conjunction with this loan and grant, despite failing to comply with the Commission's Order⁸ to file an application for an

¹ Application, Exhibit A.

² Application, Exhibit A.

³ Application, Exhibit A.

⁴ Application, Exhibit B.

⁵ Application, Exhibit B.

⁶ Application, Exhibit E.

⁷ Application, Exhibit E.

⁸ Case No. 2021-00371, *Electronic Purchased Water Adjustment Filing of East Casey County Water District* (Ky. PSC Oct. 15, 2021), Order at 7.

adjustment in base rates within six months of the date of entry of that Order, which granted a purchased water adjustment due to an increase in the rate paid for water produced by and purchased from the city of Campbellsville. The requirement from the October 15, 2021 Order is meant to ensure that East Casey District's revenue was sufficient to support adequate and reliable service and was based on East Casey District operating with a net negative income for the previous five years, decrease in depreciation reserves, and avoiding review of its financial records by relying solely on financing cases to increase rates.⁹ The Commission has opened an investigation into East Casey District's failure to file for a rate change as required.¹⁰

DISCUSSION AND FINDINGS

Having considered the application and all evidence in the record, the Commission finds that the application should be approved pursuant to KRS 278.023. East Casey District is a water district organized under KRS Chapter 74 and the approvals sought are authorized or required by the RD agreement.

East Casey District's KRS 278.023 filing does not satisfy the final Order in Case No. 2021-00371, in which the Commission ordered East Casey District to file either a general rate case or an alternative rate filing,¹¹ not a rate change as part of a KRS 278.023 filing. The Commission further notes that East Casey District's management had the time and opportunity to plan a construction project, apply for an RD loan and grant, and

⁹ Case No. 2021-00371, (Ky. PSC Oct. 15, 2021), Order at 3-4.

¹⁰ Case No. 2022-00228, *Electronic Investigation of East Casey County Water District and Its Officers, Kevin Atwood, Lily Sandusky, Ricky Carman, Tracy Gossage, John McQuery, and Its Manager, Andy Greynolds, to Comply with a Commission Order, KRS 278.990* (Ky. PSC Aug. 22, 2022), Order.

¹¹ Case No. 2021-00371, (Ky. PSC Oct. 15, 2021), Order at 4.

assemble a KRS 278.023 filing, but within nearly one year failed to address the rate change required to be filed within six months of the Commission's final Order in Case No. 2021-00371.

This case shall not be kept open for obtaining information from East Casey District regarding its financial data, as this information may be obtained by the Commission in Case No. 2022-00228.

IT IS THEREFORE ORDERED that:

1. East Casey District is granted a CPCN for the proposed project as submitted.
2. East Casey District's proposed plan of financing is approved.
3. East Casey District is authorized to execute the RD loan as provided.
4. East Casey District shall charge rates, set forth in the Appendix attached hereto, not to exceed the minimum rates required by the RD agreement but not less than its current rates.
5. East Casey District shall file a revised tariff sheet adopting the rates set forth in the Appendix attached hereto within 30 days of issuance of this Order.
6. The proceeds of the loan shall be used only for the purposes specified in East Casey District's application.
7. East Casey District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
8. East Casey 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. East Casey 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. East Casey 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. East Casey 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 by East Casey District in the future pursuant to this Order shall reference this case number and shall be retained in the post-case correspondence file for this proceeding.

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

14. The Commission's approval of the CPCN and rates is conditioned upon execution of all required loan documents.

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

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00316 DATED OCT 28 2022

The following rates and charges are prescribed for the customers in the area served by East Casey 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.

Monthly Water Rates

Residential and commercial rates:

First	2,000 Gallons	\$	22.75 Minimum Bill
Next	3,000 Gallons		0.00979 Per Gallon
Next	5,000 Gallons		0.00940 Per Gallon
Next	5,000 Gallons		0.00900 Per Gallon
Next	5,000 Gallons		0.00860 Per Gallon
All Over	20,000 Gallons		0.00781 Per Gallon

Wholesale rates: \$ 0.00312 Per Gallon

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