

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GARRARD COUNTY WATER)	
ASSOCIATION, INC. FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2017-00398
CONSTRUCT, FINANCE, AND INCREASE RATES)	
PURSUANT TO KRS 278.023.)	

ORDER

On September 29, 2017, Garrard County Water Association, Inc. (“Garrard County”) submitted an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity (“CPCN”) to construct an improvement project, for approval of financing of the proposed project, and to increase rates. No person has sought intervention in this matter, and Garrard County has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Garrard County, a water association organized under KRS Chapter 273, provides retail water service to approximately 5,598 customers in Garrard, Lincoln, Madison, and Rockcastle counties, Kentucky.¹

The Commission notes that in its 2016 Annual Report, Garrard County reported a water loss of 16.2898 percent.² Commission regulation 807 KAR 5:066, section 6(3) states that for ratemaking purposes a utility's unaccounted-for water loss shall not exceed

¹ *Annual Report of Garrard County Water Association, Inc., Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2016* at 12 and 49.

² 2016 Annual Report at 58, line 33.

15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Garrard County to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Garrard County to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Garrard County's application for a CPCN proposes: the construction and installation of approximately 73,000 linear feet of variously sized water lines and appurtenances; a new underground booster pump station; a 250,000-gallon elevated water storage tank; and demolition of three existing water storage tanks.³

The total cost of the project, including legal, administrative, development, and engineering, plus interest and contingencies cost, is \$3,887,000.

Garrard County proposes to finance construction of the project with the issuance of a \$2,423,000 Promissory Note to the United States Department of Agriculture Rural Development ("RD") for a 40-year period at an interest rate not to exceed 2.75 percent per annum,⁴ a \$807,000 grant from RD, and \$657,000 of funds to be provided by Garrard County.⁵

³ Application, Final Engineering Report, Section VI, Proposed Alternative, at 3.

⁴ *Id.*, Exhibit A, Form RD 1940, item 28.

⁵ *Id.*, Exhibit A, RD Letter, item 28.

Garrard County's proposed rates meet the total revenue requirements recommended in the engineering reports. Under those rates, the monthly bill of an average residential water customer using 5,000 gallons of water would increase from \$29.85 to \$32.77, or by approximately 9.78 percent.

Garrard County 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 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 Garrard County, 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 association's proposed facilities will result in the wasteful duplication of facilities or excessive investment or its proposed water 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.

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

1. The record for this case is complete.
2. Garrard County 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 Garrard County to continue providing reliable and adequate water service to its customers.

6. The project will be financed through the issuance of a Promissory Note to RD, a grant from RD, and internal funds.

7. The proposed rates contained in the application are the minimum rates and charges required under the agreement with RD.

IT IS THEREFORE ORDERED that:

1. Garrard County is granted a CPCN for the proposed project as submitted.

2. Garrard County's proposed plan of financing is approved.

3. Garrard County is authorized to issue a Promissory Note in an amount not to exceed \$2,423,000 to RD, 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 interest rate in effect at the time of closing, but not to exceed 2.75 percent per annum.

4. The proceeds from the note shall be used only for the purposes specified in Garrard County's application.

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

7. Garrard County 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. Garrard County 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. Garrard County 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. Garrard County 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 Garrard County renders on and after the date of this Order. 12. Within 20 days of the date of this Order, Garrard County 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.


12. 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.

13. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Garrard County'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.

By the Commission



ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00398 DATED **OCT 23 2017**

The following rates and charges are prescribed for the customers in the area served by Garrard County Water Association, Inc. 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	1,000 Gallons	\$11.68	Minimum bill
Next	1,000 Gallons	6.29	per 1,000 Gallons
Next	1,000 Gallons	5.08	per 1,000 Gallons
Next	2,000 Gallons	4.86	per 1,000 Gallons
Over	5,000 Gallons	4.53	per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$32.77	Minimum bill
Over	5,000 Gallons	4.53	per 1,000 Gallons

1 1/2-Inch Meter

First	10,000 Gallons	\$55.42	Minimum bill
Over	10,000 Gallons	4.53	per 1,000 Gallons

2-Inch Meter

First	25,000 Gallons	\$123.37	Minimum bill
Over	25,000 Gallons	4.53	per 1,000 Gallons

Bulk Rate		\$ 5.75	per 1,000 Gallons
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