

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|  |   |            |
|--|---|------------|
| APPLICATION OF THE TRIMBLE COUNTY WATER    | ) |            |
| DISTRICT NO. 1 FOR A CERTIFICATE OF PUBLIC | ) | CASE NO.   |
| CONVENIENCE AND NECESSITY TO CONSTRUCT,    | ) | 2017-00200 |
| FINANCE, AND INCREASE RATES PURSUANT TO    | ) |            |
| KRS 278.023                                | ) |            |

ORDER

On May 12, 2017, Trimble County Water District (“Trimble County”) submitted an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a waterworks improvement project, approval of financing of the proposed project, and an increase in its water rates. By letter dated May 19, 2017, the Commission notified Trimble County that minimum filing requirements had been met and that the application had been accepted for filing. No person has sought intervention in this matter, and Trimble County has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Trimble County, a water district organized under KRS Chapter 74, provides retail water service to approximately 1,428 customers in Trimble County, Kentucky, and wholesale water service to West Carroll Water District.<sup>1</sup>

Trimble County’s application for a CPCN proposes the following: Installation of approximately 20,900 linear feet of 3-inch, 4-inch, and 6-inch water main replacement and extensions and associated appurtenances; replacement of existing meters with radio-

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<sup>1</sup> *Annual Report of Trimble County District, Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2015* at 12, 53, and 60.

read meters including the associated software; repainting of two existing water storage tanks; construction of a new storage facility for pipe and materials; and automation of the chlorine system at the clear well.<sup>2</sup>

The initial total estimated cost of the proposed project, including legal, administrative, development, and engineering, plus interest and contingencies costs, was \$1,332,000.<sup>3</sup> However, the bids received on the project were less than anticipated project costs, thus the amount requested for financing has been reduced to \$1,174,000. Trimble County proposes to finance the proposed construction with the proceeds of the issuance of \$1,174,000 of Waterworks Revenue Bonds to be purchased by the United States Department of Agriculture (“USDA”) Rural Development (“RD”) for a 40-year period at an interest rate not to exceed 2.375 percent annum.<sup>4</sup>

Trimble County’s proposed rates are the minimum rates and charges set forth in the USDA RD letter of conditions dated December 16, 2016. The monthly bill of an average residential water customer using 4,418 gallons of water will increase from \$37.93 to \$40.35, or approximately 6.3 percent.

Trimble 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 districts 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.

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<sup>2</sup> Application, Paragraph 4.

<sup>3</sup> Application, Exhibit A, Letter of Conditions, paragraph 27.

<sup>4</sup> Application, Paragraph 5.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Trimble 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 district'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. Trimble 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 Trimble County to continue providing reliable and adequate water service to its customers.
6. The project will be financed through the issuance of Waterworks Revenue Bonds purchased from the USDA RD.

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

IT IS THEREFORE ORDERED that:

1. Trimble County is granted a CPCN for the proposed project as submitted.
2. Trimble County's proposed plan of financing is approved. Trimble County is authorized to enter into a promissory note with RD in the amount of \$1,174,000, maturing over a 40-year period at an interest rate not to exceed 2.375 percent per annum.
3. The proceeds from the promissory note shall be used only for the purposes specified in Trimble County's application.
4. Trimble County shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
5. Notwithstanding ordering paragraphs 3 and 4, if surplus funds remain after the approved construction has been completed, Trimble 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 Trimble County's rates for service. Trimble County shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
6. Trimble 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.

7. Trimble 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.

8. Trimble 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.

9. Trimble County shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

10. The rates set forth in the Appendix to this Order are approved for service that Trimble County renders on and after the date of this Order.

11. Within 20 days of the date of this Order, Trimble 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 6, 7, and 9 of this Order shall reference this case number and shall be retained in the utility's post case correspondence file.

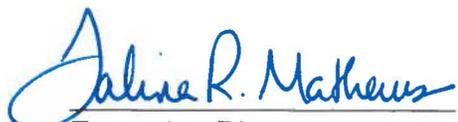
13. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Trimble County's showing of good cause for such extension.

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

ENTERED  
JUN 01 2017  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00200 DATED **JUN 01 2017**

The following rates and charges are prescribed for the customers in the area served by Trimble County Water District. 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  | \$17.50 | Minimum bill      |
| Next  | 2,000 gallons  | 7.10    | per 1,000 gallons |
| Next  | 3,000 gallons  | 6.10    | per 1,000 gallons |
| Next  | 6,000 gallons  | 5.10    | per 1,000 gallons |
| Over  | 12,000 gallons | 4.10    | per 1,000 gallons |

#### 3/4-Inch Meter

|       |                |         |                   |
|-------|----------------|---------|-------------------|
| First | 5,000 gallons  | \$43.90 | Minimum bill      |
| Next  | 1,000 gallons  | 6.10    | per 1,000 gallons |
| Next  | 6,000 gallons  | 5.10    | per 1,000 gallons |
| Over  | 12,000 gallons | 4.10    | per 1,000 gallons |

#### 1-Inch Meter

|       |                |         |                   |
|-------|----------------|---------|-------------------|
| First | 10,000 gallons | \$70.40 | Minimum bill      |
| Next  | 2,000 gallons  | 5.10    | per 1,000 gallons |
| Over  | 12,000 gallons | 4.10    | per 1,000 gallons |

#### 1 1/2-Inch Meter

|       |                |          |                   |
|-------|----------------|----------|-------------------|
| First | 30,000 gallons | \$154.40 | Minimum bill      |
| Over  | 30,000 gallons | 4.10     | per 1,000 gallons |

#### 2-Inch Meter

|       |                |          |                   |
|-------|----------------|----------|-------------------|
| First | 50,000 gallons | \$236.40 | Minimum bill      |
| Over  | 50,000 gallons | 4.10     | per 1,000 gallons |

#### Wholesale

|       |                |          |                   |
|-------|----------------|----------|-------------------|
| First | 50,000 gallons | \$236.40 | Minimum bill      |
| Over  | 50,000 gallons | 4.10     | per 1,000 gallons |

|           |  |        |                   |
|-----------|--|--------|-------------------|
| Bulk Rate |  | \$5.00 | per 1,000 gallons |
|-----------|--|--------|-------------------|

\*Trimble County Water District #1  
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