

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE ROWAN WATER, INC. FOR)	
A CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY TO CONSTRUCT, FINANCE AND)	2017-00250
INCREASE RATES PURSUANT TO KRS 278.023)	

ORDER

On June 22, 2017, Rowan Water, Inc. (“Rowan Water”) submitted an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity (“CPCN”) to construct an improvement project, approval of financing of the proposed project, and to increase its rates. By letter dated June 26, 2017, Rowan Water was informed that its application failed to meet minimum filing requirements. On July 10, 2017, Rowan Water submitted additional information curing the deficiencies, and the application was considered filed as of that date. No person has sought intervention in this matter, and Rowan Water has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

The Commission notes that in its 2015 Annual Report, Rowan Water reported a water loss of 21.4117 percent. Commission regulation 807 KAR 5:066(6)(3) states that “for rate making purposes, a utility’s unaccounted-for water loss shall not exceed fifteen (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 fifteen (15) percent unaccounted-for water loss threshold and strongly encourages Rowan Water to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Rowan Water to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Rowan Water, a water association organized under KRS Chapter 273, provides retail water service to approximately 7,118 customers in Carter, Elliott, Fleming, Morgan and Rowan counties of Kentucky.¹

Rowan Water's application for a CPCN proposes the construction of a 150,000-gallon elevated water tank and a new pump station; demolition of the existing 3-C Trail storage tank; rehabilitation of three storage tanks; and replacement of a master meter vault and appurtenances.²

The total estimated cost of the proposed project, including legal, administrative, development, and engineering, plus interest and contingencies costs, is \$1,580,000.³

Rowan Water proposes to finance the proposed construction with the proceeds of the issuance of \$1,106,000 of Waterworks Revenue Bonds to be purchased by the United States Department of Agriculture ("USDA") Rural Development ("RD") for a 40-year

¹ *Annual Report of Rowan Water District, Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2015* at 12 and 53.

² Application, Item 4, at 1.

³ *Id.*, Exhibit A, RD Letter of Conditions, April 19, 2017, at 1.

period at an interest rate not to exceed 2.75 percent annum,⁴ and a \$474,000 grant from RD.⁵

Rowan Water's proposed rates meet the minimum construction and operating requirements recommended in the Engineering Reports prepared by the USDA. The monthly bill of an average residential water customer using 4,000 gallons of water will increase by \$2.03, from \$31.40 to \$33.43, or approximately 6.47 percent.

Rowan Water 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. KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Rowan Water, 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. Rowan Water's application met the minimum filing requirements of KRS 278.023 on June 20, 2017. 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 Id., Exhibit A, FORM RD1940-1, at 14.

⁵ Id., Exhibit A, RD Letter of Conditions, April 19, 2017, at 1.

IT IS THEREFORE ORDERED that:

1. Rowan Water is granted a CPCN for the proposed project as submitted.
2. Rowan Water's proposed plan of financing is approved.
3. Rowan Water is authorized to issue Waterworks Revenue Bonds to RD in an amount not to exceed \$1,106,000, 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 loan shall be used only for the purposes specified in Rowan Water's application.
5. Rowan Water 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, Rowan Water 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 Rowan Water's rates for service. Rowan Water shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.
7. Rowan Water 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. Rowan Water 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. Rowan Water 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. Rowan Water shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

11. 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 general correspondence file.

12. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Rowan Water’s showing of good cause for such extension.

13. The rates set forth in the Appendix to this Order are approved for service that Rowan Water renders on and after the date of this Order.

14. Within 20 days of the date of this Order, Rowan Water 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.

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:

A handwritten signature in blue ink, appearing to read "John P. ...". The signature is written over a horizontal line.

Acting Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2017-00250 DATED **AUG 03 2017**

The following rates and charges are prescribed for the customers in the area served by Rowan Water 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.

Monthly Water Rates

5/8-Inch Meter

First	2,000 gallons	\$18.53	Minimum Bill
Next	3,000 gallons	7.45	per 1,000 gallons
Next	10,000 gallons	6.95	per 1,000 gallons
Next	10,000 gallons	6.80	per 1,000 gallons
Next	10,000 gallons	6.45	per 1,000 gallons
Next	15,000 gallons	6.15	per 1,000 gallons
Over	50,000 gallons	5.95	per 1,000 gallons

3/4-Inch Meter

First	4,000 gallons	\$33.43	Minimum Bill
Next	1,000 gallons	7.45	per 1,000 gallons
Next	10,000 gallons	6.95	per 1,000 gallons
Next	10,000 gallons	6.80	per 1,000 gallons
Next	10,000 gallons	6.45	per 1,000 gallons
Next	15,000 gallons	6.15	per 1,000 gallons
Over	50,000 gallons	5.95	per 1,000 gallons

1-Inch Meter

First	5,000 gallons	\$40.98	Minimum Bill
Next	10,000 gallons	6.95	per 1,000 gallons
Next	10,000 gallons	6.80	per 1,000 gallons
Next	10,000 gallons	6.45	per 1,000 gallons
Next	15,000 gallons	6.15	per 1,000 gallons
Over	50,000 gallons	5.95	per 1,000 gallons

1 1/2-Inch Meter

First	15,000 gallons	\$110.38	Minimum Bill
Next	10,000 gallons	6.80	per 1,000 gallons
Next	10,000 gallons	6.45	per 1,000 gallons
Next	15,000 gallons	6.15	per 1,000 gallons
Over	50,000 gallons	5.95	per 1,000 gallons

2-Inch Meter

First	25,000 gallons	\$178.38	Minimum Bill
Next	10,000 gallons	6.45	per 1,000 gallons
Next	15,000 gallons	6.15	per 1,000 gallons
Over	50,000 gallons	5.95	per 1,000 gallons
Wholesale Rate		\$ 1.93	per 1,000 gallons

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