

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BRONSTON WATER)	
ASSOCIATION, INC. FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2017-00138
CONSTRUCT, FINANCE, AND INCREASE RATES)	
PURSUANT TO KRS 278.023)	

ORDER

Bronston Water Association, Inc. ("Bronston") has applied to the Commission for a Certificate of Public Convenience and Necessity ("CPCN") to construct a waterworks improvement project, for approval of its plan to finance the proposed project, and for an increase in the water rates. Bronston's application met the minimum filing requirements of KRS 278.023 on March 27, 2017.

The proposed project consists of the installation of approximately 21,760 linear feet of water line and associated appurtenances and the construction of a 500,000-gallon ground storage water tank.

The proposed project will replace existing water lines that are deteriorating, undersized, or both, with new upgraded water lines that will help distribute ample water to the areas currently experiencing continuous water leaks. These leaks are sometimes difficult to find, and may require extensive searching over an extended time period, which leads to low water pressure, loss of water from the storage tanks, and foul taste. The replacement of the 500,000-gallon ground water storage tank in the Kentucky Highway

90 area is proposed because the sealant and coating product of the interior of the glass-lined tank are failing. Repairing the tank would require major interior surface repair and panel replacement. Due to the cost of such repairs, and Bronston's need to maintain an adequate service level into the future, Bronston states that replacing the structure with a new painted steel tank is the best alternative.¹

The total cost of the project, including legal, administrative, development, and engineering, plus interest and contingencies costs, is \$1,838,000. This project is to be financed with a \$1,380,000 promissory note and a \$458,000 grant from the United States Department of Agriculture, Rural Utilities Service, Rural Development ("RD"). Bronston has a commitment from RD to purchase the \$1,380,000 promissory note. As set out in the RD Letter of Conditions as amended², the \$1,380,000 promissory note will mature over a 40-year period at an interest rate not to exceed 1.875 percent per annum, but will be equal to the lower of the rate in effect at the time of loan approval, or the rate in effect at the time of closing.³

Under the proposed rates, the monthly bill of a residential water customer using 5,000 gallons of water will increase from \$42.82 to \$46.97, or approximately 9.69 percent.

Bronston 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

¹ Monarch Engineering, Inc., Preliminary Engineering Report, Item IV: Need for the Project.

² Application, Item 5.

³ *Id.*, Exhibit A, Page 1.

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 Bronston, or to defer the issuance of all necessary orders to implement the terms of that 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 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

IT IS THEREFORE ORDERED that:

1. Bronston is granted a CPCN for the proposed project as submitted.
2. Bronston's proposed plan of financing is approved.
3. Bronston is authorized to enter into a promissory note with RD in the amount of \$1,380,000, maturing over a 40-year period, at an interest rate not to exceed the lower of 1.875 percent per annum and be 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.
4. The proceeds from the promissory note shall be used only for the purposes specified in Bronston's application.
5. Bronston 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, Bronston 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 Bronston's rates for service. Bronston shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Bronston 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. Bronston 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. Bronston 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. Bronston 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 Bronston renders on and after the date of this Order.

12. Within 20 days of the date of this Order, Bronston 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.

13. Any documents filed in the future pursuant to ordering paragraphs 8, 9, and 11 of this Order shall reference this case number and shall be retained in the utility's post case correspondence file.

14. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Bronston'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
APR 19 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00138 DATED **APR 19 2017**

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

Monthly Water Rates

5/8-Inch x 3/4-Inch Meter

First	1,500 gallons	\$ 21.14	Minimum bill
All Over	1,500 gallons	7.38	per 1,000 gallons

1-Inch Meter

First	5,000 gallons	\$ 44.98	Minimum bill
All Over	5,000 gallons	7.38	per 1,000 gallons

2-Inch Meter

First	20,000 gallons	\$ 120.86	Minimum bill
All Over	20,000 gallons	7.38	per 1,000 gallons

4-Inch Meter

First	50,000 gallons	\$ 281.06	Minimum bill
All Over	50,000 gallons	7.38	per 1,000 gallons

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