

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE MCCREARY COUNTY)	
WATER DISTRICT FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	
CONSTRUCT A SYSTEM IMPROVEMENTS)	CASE NO.
PROJECT AND AN ORDER APPROVING A)	2019-00246
CHANGE IN RATES AND AUTHORIZING THE)	
ISSUANCE OF SECURITIES PURSUANT TO)	
KRS 278.023)	

ORDER

On July 12, 2019, McCreary County Water District (McCreary District) filed an application, pursuant to KRS 278.023, requesting a Certificate of Public Convenience and Necessity (CPCN) to construct a system improvements project, approval of financing for the proposed project, and an increase in the rates. No party has sought intervention in this matter, and McCreary District has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

McCreary District, a water district organized under KRS Chapter 74, provides retail water service to approximately 6,167 water customers,¹ in McCreary County, Kentucky.² McCreary County also has 1,122 sewer customers.³

¹ *Annual Report of McCreary County Water District for Water Operations for the Year Ended December 31, 2017*, at 48. McCreary District was granted a filing extension until July 31, 2019 to file its 2018 Annual Report.

² *Id.* at 12.

³ Application at Exhibit A.

The proposed project has three components: upgrading undersized transmission mains; upgrading the chemical storage area of the wastewater treatment plant; and new service lines for existing meters.⁴ The upgrade of the transmission mains that serve the western portion of McCreary County Water District's system is necessary because the current transmission mains are undersized, with some at the end of their useful life.⁵ As a result of undersized transmission mains, customers in that area experience inadequate water supply and water pressure.⁶ The project involves installing approximately 10,400 linear feet of 8-inch water main, 11,900 linear feet of 6-inch water main, 7,230 feet of 4-inch water main, and 2,100 linear feet of 2-inch water main.⁷ The mains will be constructed between Stearns and Smithtown along highways 92 and 791.

The second component, improvements to the chemical storage facility at the wastewater treatment plant, is necessary because it does not meet current regulatory standards for containment.⁸ The project includes new chemical tanks with a smaller footprint allowing for easier access and a safer working environment.⁹

The third component of the proposed project is new service line/meter reconnections to reconnect existing water service meters to recently installed water lines.¹⁰

⁴ Application at paragraph 4; McCreary County Water District Final Engineering Report (Final Engineering Report) at 2.

⁵ Final Engineering Report at 1–2.

⁶ Application at paragraph 4.

⁷ *Id.*

⁸ Final Engineering report at 2.

⁹ *Id.* at 2.

¹⁰ *Id.* at 1.

The total cost of the proposed project, including but not limited to engineering, development, legal and administrative, interest, plus contingencies, is \$2,264,400.¹¹ This project will be financed with the issuance of water and sewer revenue bonds in the amount of \$1,324,000, maturing over 40 years with an interest rate not to exceed 2.375 percent per annum, the bonds will be purchased by the United States Department of Agriculture (USDA), acting through Rural Development (RD); and a grant in the amount of \$440,400 from the USDA/RD and an Appalachian Regional Commission (ARC) grant in the amount of \$500,000.¹²

Under the proposed rates, the monthly bill of a residential or commercial water customer who uses 4,000 gallons per month will increase from \$33.85 to \$36.56, an increase of \$2.71, or approximately 8 percent.¹³

McCreary District has submitted its application pursuant to KRS 278.020 and 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 the USDA/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 USDA/RD and McCreary District 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

¹¹ Application, Exhibit A at 10; Final Engineering Report at 2–3.

¹² *Id.* at 2.

¹³ The average usage for a residential or commercial customer was not stated in the public notice in the Application, Exhibit D, therefore for the purposes of this Order, the average usage for a typical residential or commercial customer is assumed to be 4,000 gallons.

the evidence of record indicates that a water utility's proposed facilities will result in the wasteful duplication of facilities, 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. McCreary District is granted a CPCN for the proposed project as submitted.
2. McCreary District's proposed plan of financing is approved.
3. McCreary District is authorized to issue water revenue bonds in the amount of \$1,324,000, maturing over a period not to exceed 40 years with an interest rate not to exceed 2.375 percent per annum that will be purchased by USDA/RD.
4. The proceeds from the promissory note shall be used only for the purposes specified in McCreary District's application.
5. McCreary District is authorized to obtain a grant in the amount of \$440,400 from USDA/RD.
6. McCreary District is authorized to obtain a grant in the amount of \$500,000 from ARC.
7. McCreary District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
8. Notwithstanding ordering paragraphs 4 and 7, if surplus funds remain after the approved construction has been completed, McCreary District may use such surplus to construct additional plant facilities if USDA/RD approves of the use and the additional construction, and it will not result in a change in McCreary District's rates for service.

McCreary District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

9. McCreary 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.

10. McCreary 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.

11. McCreary 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.

12. McCreary District shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

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

14. Within 20 days of the date of entry of this Order, McCreary District 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.

15. Any documents filed in the future pursuant to ordering paragraphs 7, 8, 9, 10, and 12 of this Order shall reference this case number and shall be retained in the utility's post-case correspondence file.

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

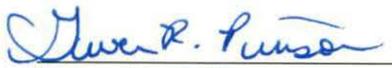
17. This case is closed and removed from the Commission's docket.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing, herein approved.

By the Commission

ENTERED
AUG 02 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2019-00246 DATED **AUG 02 2019**

The following rates and charges are prescribed for the customers in the area served by McCreary 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 Non-Residential Rates:

First	2,000 Gallons	\$21.98 Minimum Bill
Over	2,000 Gallons	7.29 per 1,000 Gallons

Federal Correctional Facility:

First	1,950,000 Gallons	\$14,215.50 Minimum Bill
Over	1,950,000 Gallons	7.29 per 1,000 Gallons

Riverwoods:

First	450,000 Gallons	\$2,008.80 Minimum Bill
Over	450,000 Gallons	7.29 per 1,000 Gallons

Cumberland Falls State Park:

First	600,000 Gallons	\$2,808.00 Minimum Bill
Over	600,000 Gallons	4.59 per 1,000 Gallons

Whitley County Water District Rate:	\$3.76 per 1,000 Gallons
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Monthly Sewer Rates

Residential and Non-Residential Rates:

First	2,000 Gallons	\$24.19 Minimum Bill
Next	18,000 Gallons	8.44 per 1,000 Gallons
Over	20,000 Gallons	7.50 per 1,000 Gallons

Federal Correctional Facility:

First	1,300,000 Gallons	\$9,703.13 Minimum Bill
Over	1,300,000 Gallons	8.44 per 1,000 Gallons

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