

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY WATER DISTRICT )	
FOR A CERTIFICATE OF PUBLIC CONVENIENCE )	
AND NECESSITY TO CONSTRUCT A SYSTEM )	
IMPROVEMENTS PROJECT AND AN ORDER )	CASE NO.
APPROVING A CHANGE IN RATES AND )	2019-00275
AUTHORIZING THE ISSUANCE OF SECURITIES )	
PURSUANT TO KRS 278.023 )	

ORDER

On September 12, 2019, Big Sandy Water District (Big Sandy 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.<sup>1</sup> Big Sandy District responded to three rounds of discovery. No party has sought intervention in this matter. The record for this case is complete, and the matter stands ready for decision.

Big Sandy District, a water district organized under KRS Chapter 74, provides retail water service to approximately 4,791 water customers,<sup>2</sup> in Boyd, Carter, Johnson, and Lawrence counties, Kentucky.<sup>3</sup> The proposed project consists of sandblasting, rehabilitation, repainting seven ground storage tanks; repair and caulking of a glass-lined

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<sup>1</sup> Big Sandy District tendered its application on August 7, 2019. By Order dated August 26, 2019, the Commission rejected the application due to filing deficiencies. Big Sandy District cured the deficiencies, and the application was deemed filed as of September 12, 2019.

<sup>2</sup> *Annual Report of Big Sandy Water District for the Year Ended December 31, 2017*, at 48. Big Sandy District was granted a filing extension until July 31, 2019, to file its 2018 Annual Report.

<sup>3</sup> *Id.* at 12.

tank; replacing three pump stations; furnishing and installing variable frequency drives at two pump stations; replacing seven stream crossings by horizontal directional drilling with high density polyethylene pipe; replacing 41,100 linear feet of Blue Max ¾ inch service line; replacing 5,900 linear feet of 1 inch Blue Max service line; installing master meters and multiple gate valves to aid in isolation and calculation of leaks; beginning the process of G.P.S. mapping of the system; and constructing a new office building.

The total cost of the proposed project, including but not limited to engineering, development, legal and administrative, interest, plus contingencies, is \$3,040,000.<sup>4</sup> This project will be financed with the issuance of Series A water revenue bonds in the amount of \$1,670,000 maturing over 40 years with an interest rate not to exceed 3.25 percent per annum and \$395,000 of Series B bonds maturing over 40 years with an interest rate not to exceed 2.75 percent per annum, the bonds will be purchased by the United States Department of Agriculture (USDA) acting through Rural Development (RD); a grant in the amount of \$845,000 from the USDA/RD; and \$130,000 of Big Sandy District's internal funds.<sup>5</sup>

Under the proposed rates, the monthly bill of a Division 1 residential or commercial water customer who uses 4,000 gallons a month will increase from \$43.03 to \$46.45,<sup>6</sup> an increase of \$3.42, or approximately 7.9 percent. The monthly bill of a Division 2

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<sup>4</sup> Application, Exhibit A, Amendment No. 1 to the Letter of Conditions at paragraph 28.

<sup>5</sup> Application at paragraph 5.

<sup>6</sup>  $\$17.02 + (3 \times \$8.67) = \$43.03$ .  $\$18.25 + (3 \times \$9.40) = \$46.45$ .

residential or commercial water customer who uses 4,000 gallons a month will increase from \$45.50 to \$46.45<sup>7</sup>, an increase of \$0.95, or approximately 2 percent.<sup>8</sup>

Big Sandy District 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 Big Sandy 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 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. Big Sandy District is granted a CPCN for the proposed project as submitted.
2. Big Sandy District's proposed plan of financing is approved.

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<sup>7</sup>  $\$25.48 + (2 \times \$10.01) = \$45.50$ .  $\$18.25 + (3 \times \$9.40) = \$46.45$ .

<sup>8</sup> 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.

3. Big Sandy District is authorized to issue water revenue bonds in the amount of \$2,065,000 (\$1,670,000 of Series A Bonds and \$395,000 of Series B Bonds) maturing over a period not to exceed 40 years with an interest rate not to exceed 3.25 percent per annum for the Series A Bonds and 2.75 percent per annum for the Series B Bonds that will be purchased by USDA/RD.

4. The proceeds from the water revenue bonds shall be used only for the purposes specified in Big Sandy District's application.

5. Big Sandy District is authorized to obtain a grant in the amount of \$845,000 from USDA/RD.

6. Big Sandy District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

7. Notwithstanding ordering paragraphs 4 and 6, if surplus funds remain after the approved construction has been completed, Big Sandy 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 Big Sandy District's rates for service. Big Sandy District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

8. Big Sandy 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.

9. Big Sandy 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.

10. Big Sandy 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.

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

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

13. Within 20 days of the date of entry of this Order, Big Sandy 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.

14. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 8, 9, and 11 of this Order shall reference this case number and shall be retained in the utility’s post-case correspondence file.

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

16. This case is closed and removed from the Commission’s docket.

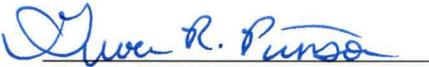
Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing, herein approved.

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By the Commission

ENTERED  
OCT 07 2019  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2019-00275

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2019-00275 DATED **OCT 07 2019**

The following rates and charges are prescribed for the customers in the area served by Big Sandy 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

5/8-Inch Meter

First	1,000 gallons	\$ 18.25 Minimum bill
Next	9,000 gallons	9.40 per 1,000 gallons
Next	10,000 gallons	6.40 per 1,000 gallons
Next	20,000 gallons	5.95 per 1,000 gallons
All Over	40,000 gallons	5.70 per 1,000 gallons

1-Inch Meter

First	10,000 gallons	\$ 102.85 Minimum bill
Next	10,000 gallons	6.40 per 1,000 gallons
Next	20,000 gallons	5.95 per 1,000 gallons
All Over	40,000 gallons	5.70 per 1,000 gallons

1 1/2-Inch Meter

First	20,000 gallons	\$ 166.85 Minimum bill
Next	20,000 gallons	5.95 per 1,000 gallons
All Over	40,000 gallons	5.70 per 1,000 gallons

2-Inch Meter

First	40,000 gallons	\$ 285.85 Minimum bill
All Over	40,000 gallons	5.70 per 1,000 gallons

3-Inch Meter

First	100,000 gallons	\$ 627.85 Minimum bill
All Over	100,000 gallons	5.70 per 1,000 gallons

4-Inch Meter

First	200,000 gallons	\$ 1,197.85 Minimum bill
All Over	200,000 gallons	5.70 per 1,000 gallons

Wholesale Water Rate	\$5.70 per 1,000 gallons
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