

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF JESSAMINE	)	
COUNTY WATER DISTRICT NO. 1 FOR A	)	
CERTIFICATE OF PUBLIC CONVENIENCE AND	)	
NECESSITY TO CONSTRUCT A SYSTEM	)	CASE NO.
IMPROVEMENTS PROJECT AND AN ORDER	)	2022-00134
APPROVING A CHANGE IN RATES AND	)	
AUTHORIZING THE ISSUANCE OF SECURITIES	)	
PURSUANT TO KRS 278.023	)	

ORDER

On May 23, 2022, Jessamine County Water District No. 1 (Jessamine District No. 1) filed an application, pursuant to KRS 278.023, requesting 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 of water rates. There were no requests for intervention or a public hearing. The record for this case is complete, and the matter stands ready for decision.

Jessamine District No. 1, a water district organized under KRS Chapter 74, provides retail water service to approximately 2,476 water users<sup>1</sup> in Jessamine County, Kentucky. The planned improvement project consists of upgrading an existing 3-inch water line along Carolyn Lane to a 6-inch line, upgrading an existing 3-inch line along Vincewood Road to an 8-inch line, and replacing approximately 500 existing water meters

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<sup>1</sup> Application at Exhibit B (Rural Development Letter of Conditions and Form RD 1940-1, at 2).

with “radio read” meters.<sup>2</sup> The upgrade to larger mains is intended to eliminate leaks within the project areas and to improve water pressure, including for fire protection. Additionally, Jessamine District No. 1 claimed installation of radio read meters will allow field personnel to spend less time reading meters and more time on system maintenance. The total cost of the project, including legal, administrative, development, and engineering costs, plus interest and contingencies, is \$1.47 million.<sup>3</sup>

Jessamine District No. 1 proposed to fund the proposed construction through (1) the issuance of \$1,000,000 of its Waterworks Revenue Bonds; (2) cash in the amount of \$473,000; and (2) a Cleaner Water Program grant in the amount of \$79,000. Jessamine District No. 1 has a commitment from the U.S. Department of Agriculture, acting through Rural Development (RD), to purchase said \$1,000,000 of bonds maturing over a 40-year period, at an interest rate not to exceed 2.125 percent per annum as set out in the RD Letter of Conditions included as Exhibit B to the application.

RD’s Letter of Conditions includes a requirement that rates and charges for facilities and services rendered by the Jessamine District No. 1 “must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.”<sup>4</sup> RD imposes minimum rate levels to meet these conditions, and Jessamine District No. 1 will be required to increase rates for some customer classes

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<sup>2</sup> Application at Exhibit A.

<sup>3</sup> Application at Exhibit B (RD Letter of Conditions and Form RD 1940-1). By letter dated April 28, 2022, RD concurred in the award of the construction contract to United Pipeline, Inc. See Application at Exhibit C.

<sup>4</sup> Exhibit B at para. 30, as revised by RD May 23, 2022.

between 0.81% and 4.02%. Under the proposed rates, the monthly bill of an average residential water customer who uses 4,602 gallons of water will increase from \$39.49 to \$40.64, or approximately 2.91 percent.<sup>5</sup>

Jessamine District No. 1 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 Jessamine District No. 1 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 district'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.

The Commission has performed a limited review of Jessamine District No. 1's financial records that are on file for the immediate past five calendar years and determined that Jessamine District No. 1 appears to be on solid financial footing at the present time. The Commission notes that the Commission's records dating back to 1985 indicate that the utility has adjusted rates only in conjunction with construction projects, pursuant to

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<sup>5</sup> Exhibit E at 2.

KRS 278.023, or in Purchased Water Adjustment proceedings, pursuant to KRS 278.015(2). Those proceedings do not provide the Commission with an opportunity to thoroughly review the district's finances. From a review of the Commission's records, with the exception of 2020, Jessamine District No. 1 has continued to maintain a positive net income while having a Depreciation Reserve balance of \$3,815,030 as of December 31, 2020. Jessamine District No. 1 had a water loss of 12.92 percent in 2020 and it currently purchases 100 percent of the water sold. A summary appears below.<sup>6</sup>

Year	2016	2017	2018	2019	2020
Net Income Before Contributions	\$ 65,989	\$ 136,450	\$ 33,245	\$ 113,569	\$ (37,365)
Add: Depreciation Expense	182,705	189,107	281,692	266,944	303,772
Cash Basis Income	\$ 248,694	\$ 325,557	\$ 314,937	\$ 380,513	\$ 266,407

  

Year	2016	2017	2018	2019	2020
Cash and Cash Equivalents	1,256,507	1,415,297	1,724,253	1,677,760	1,837,639
Depreciation Reserve	2,773,515	2,962,622	3,244,314	3,511,258	3,815,030
Net Increase (Decrease) in Cash	220,471	158,790	308,956	(46,493)	159,879

  

Year	2016	2017	2018	2019	2020
Customer Count	2,081	2,174	3,037	2,304	2,452
Water loss Percentage	13.69%	10.91%	13.34%	8.47%	12.92%
System Use Percentage	5.26%	5.73%	3.12%	3.71%	3.09%

Therefore, after consideration of the evidence of record and being sufficiently advised, the Commission finds that Jessamine District No. 1 shall file an application for adjustment of its base rates through an alternative rate filing within three years of the date

<sup>6</sup> Jessamine District No. 1's Annual Reports include the following as supporting documentation: *Audited Financial Statements of Jessamine County Water District No. 1* (Annual Report of Jessamine District No. 1) to the Public Service Commission for the Year Ended December 31, 2016, 2018 Annual Report of Jessamine District No. 1, 2019 Annual Report of Jessamine District No. 1, 2020 Annual Report of Jessamine District No. 1. Data for 2017 can be found in the 2018 Annual Report.

of filing of this Order, or, in the alternative, file a formal motion with a detailed analysis of its rates and state the reasons why no rate modification is necessary.

IT IS THEREFORE ORDERED that:

1. Jessamine District No. 1 is granted a CPCN for the proposed construction project.

2. Jessamine District No. 1's proposed plan of financing is approved.

3. Jessamine District No. 1 is authorized to issue \$1,000,000 of its Waterworks Revenue Bonds maturing over 40 years at an interest rate not exceeding 2.125 percent per annum that will be purchased by USDA/RD.

4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Jessamine District No 1's application.

5. Jessamine District No. 1 shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

6. Notwithstanding ordering paragraph 5, if surplus funds remain after the approved construction has been completed, Jessamine District No. 1 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 Jessamine District No. 1's rates for service. Jessamine District No. 1 shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

7. Jessamine District No. 1 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. Jessamine District No. 1 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. Jessamine District No. 1 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. Jessamine District No. 1 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 Jessamine District No. 1 renders on and after the date of this Order.

12. Within 20 days of the date of this Order, Jessamine District No. 1 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 7, 8, and 10 of this Order shall reference this case number and shall be retained in the utility’s general 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 Jessamine District No. 1's showing of good cause for such extension.

15. Jessamine District No. 1 shall file for an adjustment in base rates or file for an alternative rate filing within three years of the date of filing of this Order or, in the alternative, file a formal motion with a detailed analysis of its rates and states the reasons why no modifications are necessary.

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 accepted.

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Vice Chairman

\_\_\_\_\_  
Commissioner



ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2022-00134 DATED JUN 20 2022

The following rates and charges are prescribed for the customers in the area served by Jessamine County Water District No. 1. 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" x 3/4" Meters

First 3,000 gallons	\$29.75
Next 7,000 gallons	\$6.80 per 1,000 gallons
All Over 10,000 gallons	\$6.58 per 1,000 gallons

1" Meters

First 5,000 gallons	\$43.35
Next 5,000 gallons	\$6.80 per 1,000 gallons
All Over 10,000 gallons	\$6.58 per 1,000 gallons

1-1/2" Meters

First 10,000 gallons	\$77.35
All over 10,000 gallons	\$6.58 per 1,000 gallons

2" Meters

First 20,000 gallons	\$143.15
All Over 20,000 gallons	\$6.58 per 1,000 gallons

\*Brandon G Baxter  
HMB Professional Engineers, Inc.  
3 HMB Circle  
Frankfort, KENTUCKY 40601

\*Jessamine County Water District #1  
2225 Lexington Road  
Nicholasville, KY 40356-9702

\*Karen Lee  
Jessamine County Water District #1  
2225 Lexington Road  
Nicholasville, KY 40356-9702

\*Honorable W. Randall Jones  
Attorney at Law  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, KENTUCKY 40202