

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF HARDIN)	
COUNTY WATER DISTRICT #1 FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY AUTHORIZING THE)	
CONSTRUCTION OF ADDITIONS AND)	CASE NO.
IMPROVEMENTS TO ITS WATER SYSTEM,)	2022-00337
APPROVAL OF REVISED WATER SERVICE)	
RATES AND CHARGES, AND AUTHORIZING)	
THE ISSUANCE OF CERTAIN SECURITIES)	
PURSUANT TO THE PROVISIONS OF)	
KRS 278.023 AND 807 KAR 5:069)	

ORDER

The Commission, on its own motion, finds that the Order entered November 7, 2022, should be amended to conform with the requirements of KRS 278.023. In the November 7, 2022 Order, the Commission approved a certificate of public convenience and necessity (CPCN) for Hardin County Water District #1 (Hardin District #1) to construct water infrastructure improvements that are financed through a loan from the United States Department of Agriculture Rural Development (RD), among other sources.

In the body of the Order, the Commission discussed that Hardin District #1 must increase its rates as one of the conditions of the RD loan. However, the Commission failed to approve the rates in the ordering paragraphs of the November 7, 2022 Order.

LEGAL STANDARD

The Commission is required, pursuant to KRS 278.023, to accept agreements between water utilities and 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 RD and Hardin District #1 or to defer the issuance of all necessary orders to implement the terms of that agreement.¹ The legal standard established in KRS 278.023 requires that (1) the applicant be a water utility formed under KRS Chapter 74 or 273; and (2) the construction project must be funded in whole or in part under terms of an agreement between the water utility, United States Department of Agriculture or United States HUD.

BACKGROUND

Hardin District #1 is a water district organized under KRS Chapter 74 and provides water service to approximately 10,702 customers in Hardin, Breckenridge, and Meade counties in Kentucky.² The proposed water infrastructure improvements project approved in the November 7, 2022 Order will be financed through a \$995,000 RD loan, a \$1,000,000 American Rescue Plan Act Grant, and \$734,950 of the utility's cash reserves.³

RD's letter of conditions includes a requirement that rates and charges for facilities and services rendered by the Hardin District #1 "must be at least adequate to meet cost of maintaining, repairing, and operating the water system and meeting required principal

¹ KRS 278.023(3); *see also* KRS 278.023(4) and (5)(requiring the Commission to include costs associated with such an agreement when setting rates and to allow the collection of a surcharge required by the agreement).

² *Annual Report of Hardin District #1 to the Public Service Commission for the Calendar Year Ending December 31, 2021* at 12 and 49.

³ Application at 2.

and interest payments and the required deposits to debt service and/or depreciation reserve.”⁴ RD’s conditions impose specific minimum rate levels to meet these conditions.⁵

To comply with RD’s minimum rate levels, Hardin District #1 will be required to increase rates by 41.2 percent.⁶ In its application in this matter, Hardin District #1 requested approval of the rates required by RD, which are set forth in the Appendix to this Order, for service rendered on and after December 1, 2022, to comply with RD’s conditions.⁷ Under the proposed rates, the monthly bill of an average residential water customer who uses 3,800 gallons of water will increase from \$20.18 to \$28.50.

DISCUSSION AND FINDINGS

Hardin District #1 is a water district formed under KRS Chapter 74, and the proposed project will be financed, in part, by a \$995,000 loan from RD. RD conditioned its financing on Hardin District #1 implementing the proposed rates. Thus, based upon the evidence of record and to comply with KRS 278.023, the Commission should have approved the rates as proposed by Hardin District #1 pursuant to KRS 278.023 in the November 7, 2022 Order when it granted the CPCN.

While the Commission mentioned the required rate increase when approving the CPCN and did not suspend the proposed rate pursuant to KRS 278.190, the Commission did not include ordering paragraphs specifically approving the rates as proposed by Hardin District #1. Thus, to provide clarity and ensure that complies with KRS 278.023,

⁴ Application, Exhibit 1, paragraph 30.

⁵ Application, Exhibit 1, paragraph 30.

⁶ Application, Exhibit 6-1, Public Notice.

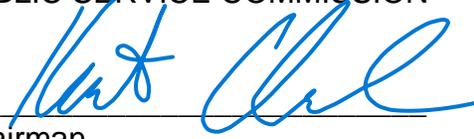
⁷ Application at 4.

the Commission finds that it should specifically approve Hardin District #1's proposed rates for service rendered on or after December 1, 2022, herein but that all other provisions of the November 7, 2022 Order that are not in conflict with this Order should remain in effect.

IT IS THEREFORE ORDERED that:

1. The rates set forth in the Appendix to this Order are approved for service that Hardin District #1 renders on or after December 1, 2022.
2. Within 20 days of the date of this Order, Hardin District #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.
3. All provisions of the November 7, 2022 Order that are not in conflict with this Order shall remain in effect.
4. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

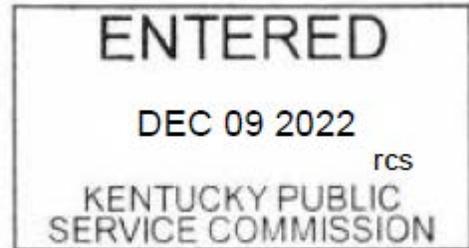


Chairman

Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00337 DATED DEC 09 2022

The following rates and charges are prescribed for the customers in the area served by Hardin County Water District No. 1. 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

Customer Charge

5/8-Inch Meter	\$ 8.36	Minimum bill
3/4-Inch Meter	\$ 12.55	Minimum bill
1-Inch Meter	\$ 20.91	Minimum bill
1 1/2-Inch Meter	\$ 41.82	Minimum bill
2-Inch Meter	\$ 66.91	Minimum bill
3-Inch Meter	\$ 125.46	Minimum bill
4-Inch Meter	\$ 209.10	Minimum bill
6-Inch Meter	\$ 418.21	Minimum bill

Volume Charge

First	15,000 gallons	\$ 7.50 per 1,000 gallons
All Over	15,000 gallons	\$ 5.39 per 1,000 gallons

Wholesale Rate

\$ 3.33 per 1,000 gallons

Private Fire Line or Hydrant Charge

1 1/2-Inch Meter	\$ 1.07 per Month
2-Inch Meter	\$ 2.29 per Month
3-Inch Meter	\$ 6.66 per Month
4-Inch Meter	\$ 14.18 per Month
6-Inch Meter	\$ 41.16 per Month
8-Inch Meter	\$ 87.76 per Month
10-Inch Meter	\$ 126.15 per Month
12-Inch Meter	\$ 235.85 per Month

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