

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of

THE APPLICATION OF BUTLER COUNTY WATER SYSTEM, INC., BUTLER COUNTY, KENTUCKY, (1) FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING SAID SYSTEM TO CONSTRUCT MAJOR IMPROVEMENTS AND ADDITIONS TO ITS EXISTING MUNICIPAL WATER DISTRIBUTION SYSTEM FINANCED BY RURAL ECONOMIC AND COMMUNITY DEVELOPMENT SERVICE (FORMALLY FARMERS HOME ADMINISTRATION) PURSUANT TO THE PROVISIONS OF KRS 278.023 OF THE KENTUCKY REVISED STATUTES: AND (2) SEEKING APPROVAL OF THE ISSUANCE OF CERTAIN SECURITIES, AND (3) APPROVAL OF WATER RATES.

CASE NO. 2018-00048

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The Applicant, Butler County Water System, Inc., situated in Butler County, Kentucky (the "System"), acting by and through its Directors, which is a non-profit corporation as set forth in KRS 273, by counsel, respectfully tenders this Application and requests that the Public Service Commission of Kentucky enter its Order issuing authority to the System for (1) CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING SAID SYSTEM TO CONSTRUCT MAJOR IMPROVEMENTS AND ADDITIONS TO ITS EXISTING MUNICIPAL WATER DISTRIBUTION SYSTEM FINANCED BY RURAL ECONOMIC AND COMMUNITY DEVELOPMENT SERVICE PURSUANT TO THE PROVISIONS OF KRS 278.023 OF THE KENTUCKY REVISED STATUTES; AND (2) SEEKING APPROVAL OF THE ISSUANCE OF CERTAIN SECURITIES; AND (3) APPROVAL OF WATER RATES. By authorizing the request set forth in the application will permit the System to construct major improvements and additions to its municipal water distribution for the purpose of assuring an adequate and potable water supply to the area of and the customers in the System, all in the interests of the public health, safety and general welfare of the

citizens and inhabitants of the System and its customers. In support of this application and in conformity with the rules of the Public Service Commission, the System, by the Directors and counsel, states as follows:

1. Butler County Water System, Inc., situated in Butler County, Kentucky, (The Applicant), is a water association existing by virtue of an Order entered by the Public Service Commission. The System is now, and has been since its inception on February 16, 1971, regulated by the Public Service Commission of Kentucky, and all records and proceedings of the Public Service Commission with reference to the System are incorporated in this Application by reference.

2. The governing body of the System is its Directors, which is a non-profit corporate body, with power to make contracts in furtherance of its lawful and proper purposes as provided in KRS 273. In conformity with KRS 273, the members of the System have held annual membership meetings and, from time to time, elected Directors who were and are water users of the System. The present System Directors and officers are Weymouth Martin, Jr. - President; Gary Robbins - Secretary/Treasurer; Danny Farris – Director; and Shane Wells - Director;. The mailing address of the System is P. O. Box 10180 (523 U.S. 31W Bypass); Bowling Green, Kentucky 42102; Attention: John M. Dix, General Manager.

3. The System's staff engineer, Ryan J. Leisey, P.E., Bowling Green, Kentucky (the "Engineer"), has prepared engineering reports as well as detailed plans and specifications for the construction and installation of proposed major additional water facilities and improvements (the "Project") to serve the System.

The Preliminary and Final Engineering Report contains, among other things, a description of the Project, cost figures and other pertinent financial data and projections, and plans for the financing of the Project.

4. According to the final engineering report of the Engineer, the estimated cost of constructing and installing the Project is ONE MILLION SEVEN HUNDRED THIRTY-FOUR THOUSAND FIVE HUNDRED DOLLARS (\$1,734,500.00), which cost

shall be financed by the Applicant through (A) the issuance of the Applicant's Water Revenue Bonds, in the amount of ONE MILLION FOUR HUNDRED TWENTY-TWO THOUSAND DOLLARS (\$1,422,000.00), maturing over a period not to exceed 40 years and bearing interest at a single rate not to exceed 2.750% per annum, and which Bonds will be purchased by USDA in accordance with USDA's Letter of Conditions dated March 22, 2017 and Amendment No. 1 dated January 9, 2018; said Letter of Conditions and Amendment being attached as **EXHIBIT B**, and incorporated herein as if set forth in full; (B) TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00) provided by USDA Grant in accordance with **EXHIBIT B**; and (C) FIFTY EIGHT THOUSAND DOLLARS (\$58,000.00) will be provided from the Applicants Reserve Fund in accordance with the Loan Resolution Security Agreement being attached as **EXHIBIT F** and FORTY FIVE HUNDRED DOLLARS (\$4,500) in new customer tap-on fees.

The Preliminary and Final Engineering Report contains, among other things, a description of the Project, cost figures and other pertinent financial data and projections, and plans for the financing of the Project.

It is the opinion of the Directors of the System that the public health, safety and general welfare of the citizens and inhabitants of the System will be promoted and served by the construction of the Project and the financing thereof as herein described.

5. The System represents that, based upon the projections of the Engineer the proposed rate change is necessary and will be adequate to meet the annual operating cost of the additions to the System. The following rate structure is set out in the RURAL ECONOMIC AND COMMUNITY DEVELOPMENT SERVICE Letter of Conditions and Amendment No. 1:

EXISTING MONTHLY RATES

<u>5/8 X 3/4-Inch Meter</u>		
First	2,000 Gallons	\$18.54
Next	4,000 Gallons	5.37
Next	44,000 Gallons	4.77
Next	50,000 Gallons	4.10
Over	100,000 Gallons	3.42
		Minimum Bill
		per 1,000 Gallons
		per 1,000 Gallons
		per 1,000 Gallons
		per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$35.18	Minimum Bill
Next	1,000 Gallons	5.37	per 1,000 Gallons
Next	44,000 Gallons	4.77	per 1,000 Gallons
Next	50,000 Gallons	4.10	per 1,000 Gallons
Over	100,000 Gallons	3.42	per 1,000 Gallons

1-1/2-Inch Meter

First	10,000 Gallons	\$62.86	Minimum Bill
Next	40,000 Gallons	4.77	per 1,000 Gallons
Next	50,000 Gallons	4.10	per 1,000 Gallons
Over	100,000 Gallons	3.42	per 1,000 Gallons

2-Inch Meter

First	16,000 Gallons	\$92.26	Minimum Bill
Next	34,000 Gallons	4.77	per 1,000 Gallons
Next	50,000 Gallons	4.10	per 1,000 Gallons
Over	100,000 Gallons	3.42	per 1,000 Gallons

3-Inch Meter

First	25,000 Gallons	\$149.77	Minimum Bill
Next	25,000 Gallons	4.77	per 1,000 Gallons
Next	50,000 Gallons	4.10	per 1,000 Gallons
Over	100,000 Gallons	3.42	per 1,000 Gallons

4-Inch Meter

First	30,000 Gallons	\$207.19	Minimum Bill
Next	20,000 Gallons	4.77	per 1,000 Gallons
Next	50,000 Gallons	4.10	per 1,000 Gallons
Over	100,000 Gallons	3.42	per 1,000 Gallons

6-Inch Meter

First	60,000 Gallons	\$361.90	Minimum Bill
Next	40,000 Gallons	4.10	per 1,000 Gallons
Over	100,000 Gallons	3.42	per 1,000 Gallons

8-Inch Meter

First	80,000 Gallons	\$459.04	Minimum Bill
Next	20,000 Gallons	4.10	per 1,000 Gallons
Over	100,000 Gallons	3.42	per 1,000 Gallons

*All rates are subject to a 10 percent penalty if paid after the due date.

PROPOSED MONTHLY RATES

5/8 X 3/4-Inch Meter

First	2,000 Gallons	\$20.38	Minimum Bill
Next	4,000 Gallons	5.90	per 1,000 Gallons
Next	44,000 Gallons	5.24	per 1,000 Gallons
Next	50,000 Gallons	4.51	per 1,000 Gallons
Over	100,000 Gallons	3.76	per 1,000 Gallons

1-Inch Meter

First	5,000 Gallons	\$38.68	Minimum Bill
Next	1,000 Gallons	5.90	per 1,000 Gallons
Next	44,000 Gallons	5.24	per 1,000 Gallons
Next	50,000 Gallons	4.51	per 1,000 Gallons
Over	100,000 Gallons	3.76	per 1,000 Gallons

1-1/2-Inch Meter

First	10,000 Gallons	\$69.11	Minimum Bill
Next	40,000 Gallons	5.24	per 1,000 Gallons
Next	50,000 Gallons	4.51	per 1,000 Gallons
Over	100,000 Gallons	3.76	per 1,000 Gallons

2-Inch Meter

First	16,000 Gallons	\$101.44	Minimum Bill
Next	34,000 Gallons	5.24	per 1,000 Gallons
Next	50,000 Gallons	4.51	per 1,000 Gallons
Over	100,000 Gallons	3.76	per 1,000 Gallons

3-Inch Meter

First	25,000 Gallons	\$164.67	Minimum Bill
Next	25,000 Gallons	5.24	per 1,000 Gallons
Next	50,000 Gallons	4.51	per 1,000 Gallons
Over	100,000 Gallons	3.76	per 1,000 Gallons

4-Inch Meter

First	30,000 Gallons	\$227.81	Minimum Bill
Next	20,000 Gallons	5.24	per 1,000 Gallons
Next	50,000 Gallons	4.51	per 1,000 Gallons
Over	100,000 Gallons	3.76	per 1,000 Gallons

6-Inch Meter

First	60,000 Gallons	\$397.91	Minimum Bill
Next	40,000 Gallons	4.51	per 1,000 Gallons
Over	100,000 Gallons	3.76	per 1,000 Gallons

8-Inch Meter

First	80,000 Gallons	\$504.71	Minimum Bill
Next	20,000 Gallons	4.51	per 1,000 Gallons
Over	100,000 Gallons	3.76	per 1,000 Gallons

*All rates are subject to a 10 percent penalty if paid after the due date.

6. A certified copy of the corporation's Articles of Incorporation and all amendments thereto were filed with the PSC in prior proceedings Case No. 93-408 and is incorporated herein by reference.

7. The following detailed information included with the Application and all exhibits referred to herein are incorporated by reference as a part of this Application:

- EXHIBIT A-1** Preliminary Engineering Report.
- EXHIBIT A-2** Final Engineering Report.
- EXHIBIT B** USDA Letter of Conditions dated March 22, 2017.
USDA Letter of Conditions Amendment No. 1 dated January 9, 2018.
- EXHIBIT C** Copy of USDA letter of concurrence in bid award.
- EXHIBIT D** Certified statement from an authorized utility official confirming (1) that the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 4(3-4), Section 5(1), Section 6 and 7, Section 8(1-3), Section 9(1) and Section 10. The plans and specifications for the Project have also been designed to meet the minimum construction and operating requirements of the Kentucky Natural Resources and Environmental Protection Cabinet, Department for Environmental Protection, Division of Water: (2) that all other state approvals or permits have already been obtained; (3) that the proposed rates and charges shall produce total revenue requirements set out in the engineering report; and (4) dates when construction will begin and end.
- EXHIBIT E** Notice to customers of rate change with evidence of publication.
- EXHIBIT F** Loan Resolution Security Agreement.
- EXHIBIT G** Engineering Plans and Specifications signed and sealed by an engineer registered in Kentucky

8. The Directors of the System respectfully represent to the Public Service Commission that there is a genuine need and demand for the Project and that the Commission should enter herein its Order issuing its Certificate of Public Convenience and Necessity pursuant to KRS 278.023 authorizing construction and installation of the Project.

WHEREFORE, the Applicant, Butler County Water System, Inc., respectfully requests that such Order be issued.

Respectfully submitted,

BUTLER COUNTY WATER SYSTEM, INC.

By: Weymouth Martin, Jr.
Weymouth Martin, Jr., President of the Board

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Telephone: (502) 526-3313

COMMONWEALTH OF KENTUCKY)
COUNTY OF BUTLER)

I, Weymouth Martin, Jr., being first duly sworn according to law, state that I am President of the Board of Directors of Butler County Water System, Inc., Butler County, Kentucky, that I have read the foregoing Application, and that the statements of fact set forth therein are true and accurate to the best of my knowledge and belief.

WITNESS my signature this 29th day of January, 2018.

Weymouth Martin, Jr.
Weymouth Martin, Jr.

Subscribed and sworn to before me this 29th day of January, 2018. My commission expires: 2-2-2020.

Shelly Anderson
Notary Public
ID: 549821
Butler County, Kentucky
(State at Large - Kentucky)

