

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF GREEN)	
RIVER VALLEY WATER DISTRICT TO)	
ISSUE SECURITIES IN THE APPROXIMATE)	
PRINCIPAL AMOUNT OF \$5,325,000 FOR)	CASE NO. 2019-00458
THE PURPOSE OF REFUNDING CERTAIN)	
OUTSTANDING OBLIGATIONS OF THE)	
DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

MOTION FOR EXTENSION OF TIME TO FILE
APPLICATION FOR RATE ADJUSTMENT

Green River Valley Water District (“Green River Valley District”) moves for an extension of time until to comply with the Public Service Commission’s Order of March 10, 2020 to apply for a rate adjustment

In support of its Motion, Green River Valley District states:

1. On March 10, 2020, the Public Service Commission (“Commission”) entered an Order in this proceeding in which it authorized Green River Valley District to enter an assistance agreement with the Kentucky Rural Water Finance Corporation (“KRWFC”) in the amount of \$5,325,000 (subject to adjustment of up to 10 percent) to refinance four outstanding debt obligations.

2. In its Order of March 10, 2020, the Commission stated that it lacked “insight into Green River Valley District’s financial records” and this lack of insight indicated “to the Commission that Green River Valley District should file an application for a traditional adjustment in rates or an alternative rate adjustment within one year of the date of . . . [the] Order to ensure its financial situation is sufficient.” Order at 2.

3. Prior to its Order in this proceeding, the Commission in Case No. 2019-00287¹ issued to Green River Valley District a certificate of public convenience and necessity to construct certain waterworks improvements, including a 25 percent increase in Green River Valley District's water treatment plant. The total estimated cost of these improvements is \$11,625,000. The Commission also authorized Green River Valley District to issue revenue bonds in the total amount of \$8,062,000 and approved an adjustment in Green River Valley District's rates for water service.

4. Construction of the waterworks improvements began on March 9, 2020 and is currently expected to be completed in September 2021. Green River Valley District expects to issue the authorized revenue bonds upon substantial completion of the waterworks project. Interim financing for the construction was obtained through a two-year loan from KRWFC.

5. In Case No. 2019-00287, Green River Valley District submit a detailed rate study to support the proposed rate adjustment.² This study took into consideration projected increases in operation and maintenance expense resulting from the waterworks improvements and debt service on the proposed revenues bonds to develop the proposed rates that the Commission approved. The use of these cost projections was permissible only because Green River Valley District applied for a rate adjustment pursuant to KRS 278.023.

6. The Commission's Order of March 10, 2020 requires Green River Valley District to apply for a rate adjustment pursuant to KRS 278.180.³ Submission of an application for rate adjustment pursuant to KRS 278.180 prior to completion of the new waterworks improvements is

¹ *Electronic Application of Green River Valley Water District Pursuant to KRS 278.023 and 807 KAR 5:069 for A Certificate of Public Convenience to Expand Its Water Treatment Plant and Related Waterworks Improvements, An Adjustment of Its Rates for Water Service; and Authorization to Issue Certain Securities*, Case No. 2019-00287 (Ky. PSC Sep. 27, 2019).

² Green River Valley Water District's Response to Commission Staff's First Request for Information, Item 2, Ex.2B, Case No. 2019-00287 (Ky. PSC filed Sep. 17, 2019).

³ In its Order, the Commission specified that the application may be filed in accordance with the procedures set forth in 807 KAR 5:001 or 807 KAR 5:076.

likely to result in rates that do not accurately reflect Green River Valley District's cost of service. Green River Valley District will be required to use its operations for the year ending December 31, 2020 as its test period.⁴ This period will not include any expenses associated with the new waterworks improvements. As the improvements were still under construction in 2020, the operating costs associated with these facilities, as well as their depreciation expense, will not be reflected in test period operations. Unless the facilities are placed into service before the completion of the rate case proceeding, the Commission's rate making practices prevent depreciation expense related to the improvements from being considered for ratemaking purposes. If the facilities are placed into operation before the end of the rate proceeding, there will be very limited information regarding their operating costs and such information is likely not to meet the Commission's criteria of "known and measurable" to permit adjustments to test period expenses. Similarly, if the proposed revenue bonds are not issued prior to the completion of the rate proceeding, these debt service expenses will not meet the criteria of known and measurable and cannot be considered for ratemaking purposes.

7. In light of these unique circumstances, Green River Valley District requests that the Commission extend the time in which it must file an application for rate adjustment to May 31, 2022.⁵ This extension will permit inclusion the costs related to the new waterworks improvements, including increased operation and maintenance expense, depreciation expense and debt service. As the waterworks improvements will have been in operation for several months as of May 31,

⁴ Green River Valley District will file its application in accordance with the procedures set forth in 807 KAR 5:076. Section 9 of that regulation provides: "The reasonableness of the proposed rates shall be determined using a twelve (12) month historical test period, adjusted for known and measureable [sic] changes, that coincides with the reporting period of the applicant's annual report for the immediate past year." Green River Valley District's most recent annual report on file with the Commission is for the year ending December 31, 2020.

⁵ An extension until May 31, 2022 will permit Green River Valley to complete and file with the Commission its annual report for 2021, which must be filed no later than March 31, 2022, and allow two additional months to use the results of that report to prepare the application for rate adjustment and supporting rate study.

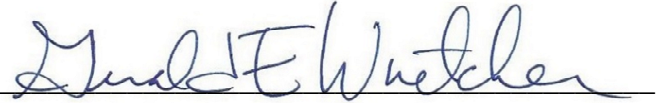
2022, the requested extension will allow Green River Valley District to present evidence of the actual operational and maintenance costs related to these improvements and allow the Commission to establish rates based upon historic costs and thus clearly satisfy the ratemaking criteria of “known and measurable.”

8. A review of Green River Valley District’s operations using a test period based on 2020 operations will not achieve the Commission’s stated purpose. Any review that does not consider the waterworks improvements, which will double Green River Valley District’s net capital assets, or the approved bond issuance, which will nearly double its existing bonded debt, will not be a comprehensive review of the water district’s total financial stability and operational viability nor will it ensure the long-term adequacy of Green River Valley District’s rates. A premature filing of a rate application may necessitate the filing of a second application to ensure rates sufficient to recover the cost of the waterworks improvements that are currently under construction and the debt service costs for the authorized, yet presently unissued, revenue bonds. The proposed extension of time would avoid the need for a second rate proceeding and the significant expenditure of time and resources required for such proceeding.

WHEREFORE, Green River Valley Water District requests that the Commission amend its Order of March 10, 2020 and extend until April 30, 2022 the time in which Green River Valley Water District must apply for rate adjustment pursuant to KRS 278.180.

Dated: April 16, 2021

Respectfully submitted,

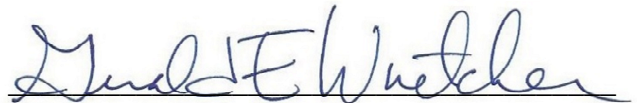


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Counsel for Green River Valley Water District

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that Green River Valley District's electronic filing of this document is a true and accurate copy of the same document being filed in paper medium; that the electronic filing was transmitted to the Public Service Commission on April 16, 2021; that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding; and that within 30 days following the termination of the state of emergency declared in Executive Order 2020-215, this document in paper medium will be delivered to the Public Service Commission.



Gerald E. Wuetcher