

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF ESTILL COUNTY)	
WATER DISTRICT NO. 1 FOR)	
AUTHORIZATION TO ENTER AN)	
ASSISTANCE AGREEMENT WITH THE)	
KENTUCKY INFRASTRUCTURE)	
AUTHORITY, FOR A CERTIFICATE OF)	CASE NO. 2021-00064
PUBLIC CONVENIENCE TO CONSTRUCT)	
CERTAIN WATER IMPROVEMENTS AND)	
AUTHORIZATION TO USE WATER LOSS)	
CONTROL PROGRAM SURCHARGE)	
PROCEEDS)	

MOTION FOR EXTENSION OF TIME

Pursuant to 807 KAR 5:001, Section 5, Estill County Water District No. 1 (“Estill District”) moves to extend the permitted time to apply for an adjustment of its rates for water service to December 1, 2023, or to 30 days from the date on which the Kentucky Infrastructure Authority (“KIA”) establishes a final amortization commencement date and final payment schedule for KIA Loan F20-013, whichever is earlier.

In support of its Motion, Estill District states:

1. On June 3, 2022, the Public Service Commission (“Commission”) ordered Estill District to apply for an adjustment of its rates for water service within one year.

2. After the issuance of that Order, Estill District engaged the services of Rural Community Assistance Partnership (“RCAP”) to prepare an application for rate adjustment to be filed pursuant to the Commission’s alternative rate adjustment procedures. It selected the calendar year ending December 31, 2022 as its test period to ensure that the proposed rates would reflect Estill District’s most recent financial and operating conditions, including the completion of the

water system improvements that the Commission approved in Cases No. 2021-00064 and No. 2021-00207.¹ At the time it obtained RCAP's services and determined that calendar year 2022 should be used as the test period, Estill District reasonably expected that these projects would be completed by December 31, 2022 and that a final amortization commencement date for KIA Loan F20-013 would be established before the June 3, 2023 deadline.

3. On December 5, 2019, KIA Board of Directors authorized a loan not to exceed \$2,399,450 ("Loan F20-013") to Estill District to finance the construction of the Phase 11 - System Improvements and Meter Purchase and Replacement Project, which involved a series of system improvements to enhance its ability to locate and repair leaks within its distribution system, as well as replace substandard stream crossings water service lines and aging metering equipment. In Case No. 2021-00064, Estill District applied for authorization to enter an Assistance Agreement with KIA to implement Loan F20-013 and a certificate of public convenience and necessity to execute the first contract for construction of the planned system improvements. On April 8, 2021, the Commission granted the requested relief.

4. On May 27, 2021, Estill District executed an Assistance Agreement with KIA for Loan F20-013. Pursuant to the Assistance Agreement's terms, Estill District is permitted to draw funds for the proposed system improvements and is required to make interest payments on these borrowed funds beginning six months after its first draw of funds. It is not required to make full principal and interest payments until one year after the initiation of operations of the financed system improvements. The issuance of a final loan payment schedule and determination of the date of the first principal and interest payment ("amortization commencement date") was to be

¹ *Electronic Application of Estill County Water District No. 1 for A Certificate of Public Convenience and Necessity for the Purchase and Installation of Metering Equipment and Authorization To Use Loan Proceeds for Proposed Purchase*, Case No. 2021-00207 (Ky. PSC June 25, 2021).

determined upon the closeout of the loan. When the Assistance Agreement was executed, KIA and Estill District assumed that the proposed system improvements would be completed and principal and interest payments on Loan F20-013 would begin on June 1, 2022.

5. On June 25, 2021, the Commission in Case No. 2021-00207 granted Estill District a certificate of public convenience and necessity to execute the second contract for construction of the planned system improvements and the purchase and installation of new residential water meters.

6. Due to circumstances beyond Estill District's control, the proposed system improvements were not completed by June 1, 2022. The Kentucky Division of Water's inspection of these system improvements, which the Assistance Agreement requires as a prerequisite to final loan closeout, occurred on April 20, 2023. These improvements were only certified as completed on May 19, 2023. See Exhibit A.

7. KIA continues to report that Loan F20-013 remains open and is not yet ready for closeout. Currently, approximately \$25,000 of Loan F20-013 funds remain available for disbursement. Estill District expects to request disbursement of those funds by June 5 and to receive the final disbursement of funds by July 15. After disbursement of these funds, closeout can occur. Once loan closeout has been completed, KIA will establish a final amortization commencement date and issue a final payment schedule for Loan F20-013. KIA Staff has advised Estill District that the issuance of a final payment schedule will likely occur in the third quarter or early fourth quarter of this year.

8. The lack of a known and definite amortization commencement date and payment schedule poses a significant problem. Estill District wishes to recover the debt service costs related

to KIA Loan F20-013 through general rates.² 807 KAR 5:076, Section 9, requires that such costs, which are an adjustment to test period operations, must be “known and measurable.”³ To be known and measurable, a proposed adjustment must be supported by documentary evidence. Without a known and definite amortization commencement date or a final payment schedule, however, Estill District will be unable to demonstrate that the principal and interest payments for KIA Loan F20-013 are known and measurable and thus qualify for rate recovery.

9. Estill District requests that the deadline for filing an application for rate adjustment be extended by 180 days, or to 30 days after the establishment of a final amortization commencement date and issuance of final payment schedule for KIA Loan F20-013, whichever is earlier, to ensure that Estill District’s principal and interest payments for that loan are clearly known and measurable and thus eligible for recovery through rates. The requested extension will permit Estill District to propose rates that reflect its most current cost for providing water service and the likely cost of service at the time a final decision on its proposed rate adjustment is rendered. If the requested extension is granted, Estill District will provide monthly updates on its efforts to obtain a definite amortization commencement date from KIA for Loan F20-013.

10. Estill District and RCAP have worked diligently to prepare an application for an adjustment of rates and the application is complete in most respects. An application can be

² While Estill District originally proposed to use surcharge proceeds to make principal and interest payments for this loan and obtained Commission authorization to do so, Estill District subsequently concluded that servicing the loan’s principal and interest payments with surcharge proceeds was not feasible or reasonable as a surcharge extending over the loan’s 30-year term would be unlikely and that use of the surcharge proceeds deprive Estill District of essential funds to acquire necessary leak detection equipment and hire additional employees to perform leak detection and leak repair work. It determined that the best and most productive use of surcharge proceeds should be for equipment and personnel. As of this date, no surcharge funds have been used for interest payments on KIA Loan F20-013.

³ See also *Notice of Purchased Gas Adjustment Filing of the Union Light, Heat and Power Company*, Case No. 90-041-A (Ky. PSC Jan. 28, 1991) at 2 (“The inclusion of costs in rates only when they are known and measurable is a standard regulatory practice”).

promptly filed as soon as the final amortization commencement date and loan payment schedule from KIA for Loan F20-013 is known.

11. Estill District intends to submit no later than August 1, 2023 in Case No. 2019-00119 its plan for using the existing water loss reduction surcharge proceeds and to apply for authorization for expend those proceeds in accordance with that plan. To the extent that the Commission wishes to proceed with its announced intention to review the status of the surcharge, the submission of this plan and request for authorization provides an opportunity to begin such a review immediately and without waiting for the filing of Estill District's application for rate adjustment.

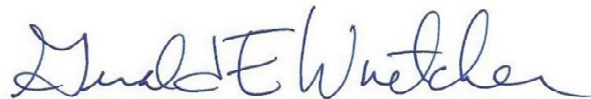
12. Estill District's motion is made in good faith and is not made for purposes of delay.

WHEREFORE, Estill County Water District No. 1 requests that:

1. Grant its Motion for an Extension of Time to file an application for rate adjustment;
2. Amend its Order of June 3, 2022 in Case No. 2021-00064 to permit Estill District to file its application for adjustment of rates no later than December 1, 2023 or 30 days after the establishment of a final amortization commencement date and final payment schedule for KIA Loan F20-013, whichever is earlier, and,
3. Grant any and all such other relief to which Estill District may be entitled.

Dated: June 1, 2023

Respectfully submitted,

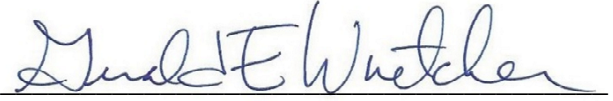


Gerald E. Wuetcher
Stoll Keenon Ogden PLLC
300 West Vine St. Suite 2100
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3017
Fax: (859) 259-3517
gerald.wuetcher@skofirm.com

Counsel for Estill County Water District No. 1

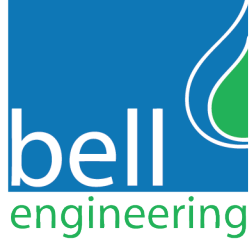
CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Public Service Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was transmitted to the Public Service Commission on June 1, 2023, and that there is currently no party that the Public Service Commission has excused from participation by electronic means in this proceeding.

A handwritten signature in blue ink, reading "Gerald E. Wuetcher", written over a horizontal line.

Gerald E. Wuetcher

EXHIBIT A



May 19, 2023

Ms. Amber Vaughn, Project Administrator
Kentucky Division of Water
300 Sower Boulevard
Frankfort, Kentucky 40601

RE: Certification Letter Contract 371-20-01 – Phase 11 System Improvements Zone Meter and River Crossing Installation Project, KIA Loan No. F20-013, Estill County Water District No. 1, Estill County, Kentucky

Dear Ms. Vaughn:

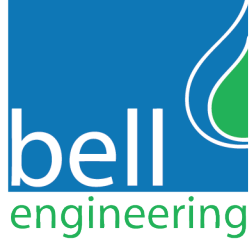
Per the Assistance Agreement between the Kentucky Infrastructure Authority and by the Drinking Water State Revolving Fund, loan # F20-013, this certificate signed by the consulting engineer confirms that the project and all other facilities in connection therewith have been acquired, constructed, equipped and installed in accordance with the DOW approved plans and specifications.

Sincerely,
BELL ENGINEERING

A handwritten signature in blue ink, appearing to read "Michael A. Lile", is written over the printed name.

Michael A. Lile, PE
Project Manager

cc: Ms. Audrea Miller, General Manager, Estill County Water District No. 1
Bell Engineering File



May 19, 2023

Ms. Amber Vaughn, Project Administrator
Kentucky Division of Water
300 Sower Boulevard
Frankfort, Kentucky 40601

**RE: Certification Letter Contract 371-20-02 – Phase 11 System Improvements Residential
Meter Replacement, KIA Loan No. F20-013, Estill County Water District No. 1, Estill
County, Kentucky**

Dear Ms. Vaughn:

Per the Assistance Agreement between the Kentucky Infrastructure Authority and by the Drinking Water State Revolving Fund, loan # F20-013, this certificate signed by the consulting engineer confirms that the project and all other facilities in connection therewith have been acquired, constructed, equipped and installed in accordance with the DOW approved plans and specifications.

Sincerely,
BELL ENGINEERING

A handwritten signature in blue ink, appearing to read "Michael A. Lile", is written over the printed name.

Michael A. Lile, PE
Project Manager

cc: Ms. Audrea Miller, General Manager, Estill County Water District No. 1
Bell Engineering File