

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF THE HARRISON)	
COUNTY WATER ASSOCIATION, INC. FOR A)	CASE NO.
CERTIFICATE OF PUBLIC CONVENIENCE AND)	2017-00330
NECESSITY TO CONSTRUCT AND FINANCE A)	
PROJECT PURSUANT TO KRS 278.023)	

ORDER

On August 23, 2017, Harrison County Water Association ("Harrison County") submitted an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity ("CPCN") to construct a waterworks improvement project ("Project") and for approval of financing of the proposed project. Harrison County did not request approval of revised water rates. By letter dated August 29, 2017, the Commission notified Harrison County that minimum filing requirements had been met and that the application had been accepted for filing. No person has sought intervention in this matter, and Harrison County has not requested a hearing. The record for this case is complete, and the matter stands submitted for decision.

Harrison County, a water association organized under KRS Chapter 273, provides retail water service to approximately 5,808 customers in Bourbon, Harrison, Nicholas, Pendleton and Scott counties, Kentucky.¹

¹ *Annual Report of Harrison County Water Association, Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2016* at 12, 48, and 53.

Harrison County's application for a CPCN proposes to construct a new 198,000-gallon, glass-lined standpipe storage tank ("Kelat Tank") located in the Kelat/U.S. 127 pressure zone of Harrison County.² The existing tank capacity of 106,000 gallons is approximately half the daily water usage in the Kelat zone and is undersized for the demand in the tank's service area. The new Kelat Tank's capacity will supply the daily demand for the Kelat/U.S. 127 pressure zone and will improve water pressure for all of Harrison County's customers.

The initial total estimated cost of the proposed project, including legal, administrative, development, and engineering, plus interest and contingencies costs, was \$625,500.³ Harrison County proposes to finance the proposed construction with the proceeds of the issuance of \$469,000 of Waterworks Revenue Bonds to be purchased by the United States Department of Agriculture ("USDA") Rural Development ("RD") for a 40-year period at an interest rate not to exceed 2.5 percent annum, and with a grant from the USDA, acting through RD, in the amount of \$156,500.⁴

Per the application, USDA, acting through RD, included a schedule of minimum water rates required as a condition of its approval.⁵ The Commission finds that Harrison County's current schedule of water rates⁶ meets the schedule of minimum water rates required as a condition of the approval by USDA, acting through RD. The Commission

² Application, Exhibit A.

³ Application, Exhibit A, Letter of Conditions, paragraph 24.

⁴ Application, paragraph 5.

⁵ Application, Exhibit B, RD Letter of Conditions I at 9-10

⁶ *Harrison County Water Association, Inc., Rates, Rules and Regulations for Furnishing Water Service at Harrison, Bourbon, Nicholas and Scott Counties, Kentucky*, P.S.C. KY. No. 7, 4th Revised Sheet No. 25 and 4th Revised Sheet No. 26.

further finds that Harrison County does not request an increase in rates as part of its application. The Commission finds that implementing the terms of the agreement does not require the authorization of new rates in the instant case.

Harrison County has submitted its application pursuant to 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 utilities and RD regarding construction projects, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Harrison County, or to defer the issuance of all necessary orders to implement the terms of the agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water utility's proposed facilities will result in the wasteful duplication of facilities or excessive investment or its proposed water 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.

IT IS THEREFORE ORDERED that:

1. Harrison County is granted a CPCN for the proposed project as submitted.
2. Harrison County's proposed plan of financing is approved. Harrison County is authorized to enter into a promissory note with RD in the amount of \$469,000, maturing over a 40-year period, at an interest rate not to exceed 2.5 percent per annum.
3. The proceeds from the promissory note shall be used only for the purposes specified in Harrison County's application.

4. Harrison County shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

5. Notwithstanding ordering paragraphs 3 and 4, if surplus funds remain after the approved construction has been completed, Harrison County 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 Harrison County's rates for service. Harrison County shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

6. Harrison County 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.

7. Harrison County 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.

8. Harrison County 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.

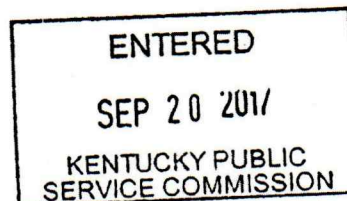
9. Harrison County shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

10. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 8, and 9 of this Order shall reference this case number and shall be retained in the utility's post case correspondence file.

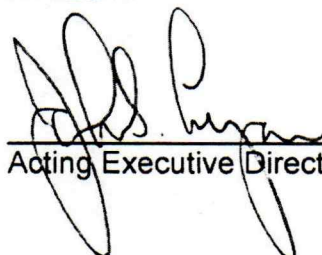
11. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Harrison County's showing of good cause for such extension.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

By the Commission



ATTEST:



Acting Executive Director

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