

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SIMPSON)
COUNTY WATER DISTRICT, (A) FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY, PURSUANT TO KRS 278.020 AND)
278.023, AUTHORIZING SAID DISTRICT TO)
CONSTRUCT IMPROVEMENTS AND)
EXTENSIONS TO ITS EXISTING WATER SYSTEM)
WHICH IMPROVEMENTS AND EXTENSIONS WILL)
BE FINANCED IN PART UNDER TERMS OF AN)
AGREEMENT BETWEEN THE WATER DISTRICT)
AND THE UNITED STATES DEPARTMENT OF)
AGRICULTURE; RURAL DEVELOPMENT, (B) FOR)
AUTHORITY TO ISSUE CERTAIN SECURITIES AS)
REQUIRED BY 278.300; AND (C) FOR APPROVAL)
OF WATER RATES AND CHARGES)

CASE NO.
2019-00395

ORDER

On October 25, 2019, Simpson County Water District (Simpson District) tendered for filing an application, pursuant to KRS 278.020 and KRS 278.023, for a Certificate of Public Convenience and Necessity (CPCN) to construct major improvements and additions to its existing water systems, approval of its plan to finance the proposed project, and an adjustment of its water rates. After curing filing deficiencies on October 31, 2019, Simpson District's application was considered filed. The Commission Staff issued discovery requests on November 13, 2019, and anticipating such requests, Simpson District filed a summary addendum and responses to the discovery on November 13, 2019. No person has sought intervention in this matter, and Simpson District has not

requested a hearing. The record for this case is complete, and the matter stands ready for decision.

The Commission notes that in its 2018 Annual Report, Simpson District reported a water loss of 18.7656 percent. Commission regulation 807 KAR 5:066(6)(3) states that for ratemaking purposes, a utility’s water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. Reduction of Simpson District’s water loss to 15 percent would result in an approximate \$41,559.69¹ decrease to Purchased Water expense. Potentially, Simpson District is paying \$.12 per 1,000 gallons sold, for expenses associated with water loss greater than 15 percent.²

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent water loss threshold and strongly encourages Simpson District to pursue reasonable actions to reduce its water loss. Failure by Simpson District to make significant progress towards reducing water loss may cause the Commission to pursue additional action with the utility.

1

Purchased Water from 2018 Annual Report	\$ 1,103,667.18
Times: Water Loss Above 15 Percent	<u>3.7656%</u>
Purchased Water Expense Reduction	<u>\$ 41,559.69</u>

2

Purchased Water Expense Reduction	\$ 41,559.69
Divided by: Total 1,000 Gallons Sold from 2018 Annual Report	<u>340,563</u>
Cost per 1,000 Gallons Sold	<u>\$ 0.12</u>

Simpson District, a water district organized under KRS Chapter 74, provides retail water service to approximately 3,438 water customers,³ in Simpson County, Kentucky.⁴

Simpson District states that Fritz Winter North America (Fritz America) has recently constructed a new foundry and production facility to make disc brake rotors within Simpson District's service territory, and, at full production, the new facility is projected to consume approximately 10 percent of the system's daily water demand. As such, Simpson District requires improvements to meet the demand of the new industry and to gain capacity for future growth.⁵ The project consists of the construction of 2,000 feet of 12-inch PVC water line, 25,000 feet of 8-inch water line, boring of interstate highway I-65, a new 200 GPM pump station, and two master meters.⁶

The Commission commends Simpson District for its efforts to provide water service to Fritz America and recognizes the significant economic benefits that will accrue to Simpson District and the surrounding area. However, we note that Simpson District has not filed a water sales contract with Fritz America incorporating the water rates set forth in the agreement with USDA/RD, and binding Fritz America to the monthly minimum payment for a sufficient term of years. The Commission expects Simpson District to file such a contract prior to commencement of service to Fritz America.

The total cost of the project, including but not limited to engineering, construction, legal, administrative, environmental, plus interest and contingencies, is approximately

³ *Annual Report of Simpson Water District for Water Operations for the Year Ended December 31, 2018*, at 49.

⁴ Application, Exhibit A2, Final Engineering Report at 3.

⁵ *Id.*

⁶ *Id.* at 6.

\$2,317,300.⁷ Simpson District proposes to finance the cost of the proposed project through the issuance of \$1,529,500 of Waterworks Revenue Bonds, a grant of \$665,000 from the Economic Development Administration (EDA), and contributions from Simpson District, including Tap Fees, of \$122,800.⁸ The United States Department of Agriculture (USDA) acting through Rural Development (RD) has committed to purchase all of the Waterworks Revenue Bonds, with the bonds maturing over a 40-year period at an interest rate not to exceed 3.5 percent per annum.⁹

Under the proposed rates, the monthly bill of a residential customer who uses 4,000 gallons of water per month will increase from \$27.71 to \$30.42, or approximately 9.78 percent.¹⁰

Simpson District has submitted its application pursuant to KRS 278.020 and 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 districts and the USDA/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 the USDA/RD and Simpson District or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application

⁷ *Id.* at 9.

⁸ *Id.*

⁹ Application at 3.

¹⁰ *Id.* Exhibit E, Affidavit of Publication at 1.

when the evidence of record indicates that a water utility's proposed facilities will result in the wasteful duplication of facilities, excessive investment, or its proposed 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. Simpson District is granted a CPCN for the proposed project as submitted.
2. Simpson District's proposed plan of financing is approved.
3. Simpson District is authorized to issue Waterworks Revenue Bonds in the amount of \$1,529,500, maturing over a period not to exceed 40 years, with an interest rate not to exceed 3.5 percent per annum that will be purchased by USDA/RD.
4. The proceeds from the promissory note shall be used only for the purposes specified in Simpson District's application.
5. Simpson District is authorized to obtain a grant in the amount of \$665,000 from the EDA.
6. Simpson District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
7. Notwithstanding ordering paragraphs 4 and 6, if surplus funds remain after the approved construction has been completed, Simpson District may use such surplus to construct additional plant facilities if USDA/RD approves of the use and the additional construction, and it will not result in a change in Simpson District's rates for service. Simpson District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

8. Simpson District 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 costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

9. Simpson District 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.

10. Simpson District 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.

11. Simpson District shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

12. The rates set forth in the Appendix to this Order are approved for service that Simpson District renders on and after the date of this Order.

13. Within 20 days of the date of entry of this Order, Simpson District 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.

14. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 8, 9, and 11 of this Order shall reference this case number and shall be retained in the post-case correspondence file.

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

16. Simpson District's motion to supplement is granted.

17. This case is closed and removed from the Commission's docket.

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

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By the Commission

ENTERED
NOV 26 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director
for Gary R. Pearson

Case No. 2019-00395

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00395 DATED **NOV 26 2019**

The following rates and charges are prescribed for the customers in the area served by Simpson Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8 X 3/4" Meter

First	2,000 Gallons	\$17.68	Minimum Bill
Next	8,000 Gallons	6.37	per 1,000 Gallons
Next	190,000 Gallons	5.70	per 1,000 Gallons
Next	400,000 Gallons	5.33	per 1,000 Gallons
Over	600,000 Gallons	3.93	per 1,000 Gallons

3/4" Meter

First	3,000 Gallons	\$24.61	Minimum Bill
Next	7,000 Gallons	6.37	per 1,000 Gallons
Next	190,000 Gallons	5.70	per 1,000 Gallons
Next	400,000 Gallons	5.33	per 1,000 Gallons
Over	600,000 Gallons	3.93	per 1,000 Gallons

1" Meter

First	5,000 Gallons	\$37.89	Minimum Bill
Next	5,000 Gallons	6.37	per 1,000 Gallons
Next	190,000 Gallons	5.70	per 1,000 Gallons
Next	400,000 Gallons	5.33	per 1,000 Gallons
Over	600,000 Gallons	3.93	per 1,000 Gallons

1 1/2" Meter

First	10,000 Gallons	\$76.32	Minimum Bill
Next	190,000 Gallons	5.70	per 1,000 Gallons
Next	400,000 Gallons	5.33	per 1,000 Gallons
Over	600,000 Gallons	3.93	per 1,000 Gallons

2" Meter

First	16,000 Gallons	\$112.15	Minimum Bill
Next	184,000 Gallons	5.70	per 1,000 Gallons
Next	400,000 Gallons	5.33	per 1,000 Gallons
Over	600,000 Gallons	3.93	per 1,000 Gallons

3" Meter

First	30,000 Gallons	\$221.59	Minimum Bill
Next	170,000 Gallons	5.70	per 1,000 Gallons
Next	400,000 Gallons	5.33	per 1,000 Gallons
Over	600,000 Gallons	3.93	per 1,000 Gallons

4" Meter

First	50,000 Gallons	\$342.10	Minimum Bill
Next	150,000 Gallons	5.70	per 1,000 Gallons
Next	400,000 Gallons	5.33	per 1,000 Gallons
Over	600,000 Gallons	3.93	per 1,000 Gallons

6" Meter

First	100,000 Gallons	\$642.31	Minimum Bill
Next	100,000 Gallons	5.70	per 1,000 Gallons
Next	400,000 Gallons	5.33	per 1,000 Gallons
Over	600,000 Gallons	3.93	per 1,000 Gallons

8" Meter

First	160,000 Gallons	\$1,006.09	Minimum Bill
Next	40,000 Gallons	5.70	per 1,000 Gallons
Next	400,000 Gallons	5.33	per 1,000 Gallons
Over	600,000 Gallons	3.93	per 1,000 Gallons

10" Meter

First	550,000 Gallons	\$3,114.80	Minimum Bill
Next	50,000 Gallons	5.33	per 1,000 Gallons
Over	600,000 Gallons	3.93	per 1,000 Gallons

Private Fire Service Rates

<u>Service Size</u>	<u>Monthly Customer Charge</u>
1"	\$10.37
1 1/2"	17.46
2"	27.03
3"	67.86
4"	142.96
6"	355.58
8"	713.09
10"	1,253.36

*Simpson County Water District
523 US Highway 31W Bypass
P. O. Box 10180
Bowling Green, KY 42102

*John Dix
PE
Warren County Water District
523 US Highway 31W Bypass
P. O. Box 10180
Bowling Green, KY 42102-4780

*Ryan Leisey
PE
Warren County Water District
523 US Highway 31W Bypass
P. O. Box 10180
Bowling Green, KY 42102-4780

*Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202