

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WARREN )  
COUNTY WATER DISTRICT (1) FOR A )  
CERTIFICATE OF PUBLIC CONVENIENCE AND )  
NECESSITY AUTHORIZING SAID SYSTEM TO )  
CONSTRUCT MAJOR IMPROVEMENTS AND )  
ADDITIONS TO ITS EXISTING MUNICIPAL )  
SEWER COLLECTION 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 SEWER RATES )

CASE NO.  
2019-00134

ORDER

On May 14, 2019, Warren County Water District (Warren District) filed an application, pursuant to KRS 278.023, for a Certificate of Public Convenience and Necessity (CPCN) to construct sewer system improvements, for approval of its plan to finance the proposed project, and for an increase in the sewer rates. The Commission issued a deficiency letter on May 21, 2019, and Warren District cured the deficiency on May 22, 2019. No person has sought intervention in this matter, and Warren District has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Warren District, a water district organized under KRS Chapter 74, provides retail water and sewer service to approximately 29,471 water customers,<sup>1</sup> and 7,128 sewer customers<sup>2</sup> in Warren County, Kentucky.<sup>3</sup>

The proposed Plum Springs Sewer Rehabilitation project (Project) consists of the utilization of Cured-In-Place Pipe to rehabilitate the existing gravity sewer in Plum Springs and the surrounding area.<sup>4</sup> Warren District declares that the portion of the gravity sewer to be rehabilitated as part of this Project was installed in the late 1960s and early 1970s.<sup>5</sup> The concrete pipe has deteriorated due to exposure to hydrogen sulfide gas and the clay pipe has deteriorated due to cracking and root intrusion.<sup>6</sup> Warren District asserts that these sections of gravity sewer have reached the end of their useful life.<sup>7</sup> Warren District states that the proposed sewer rehabilitation Project is greatly needed to maintain sewer service to existing customers.<sup>8</sup> Warren District further contends that the public health, safety, and general welfare of the citizens of the district will be promoted and served by the proposed Project.<sup>9</sup>

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<sup>1</sup> *Annual Report of Warren County Water District for Water Operations for the Year Ended December 31, 2018*, at 49.

<sup>2</sup> *Annual Report of Warren County Water District for Sewer Operations for the Year Ended December 31, 2018*, at 25 and 36.

<sup>3</sup> Application at 1.

<sup>4</sup> Warren District's Final Engineering Report at 5.

<sup>5</sup> *Id.* at 3.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> Application at 3.

The total cost of the project, including engineering, construction, legal, administrative, and easement and site acquisition, plus interest and contingencies, is \$3,056,000.<sup>10</sup> This project is to be financed with the issuance of water revenue bonds in the amount of \$645,000, maturing over a period not to exceed 40 years with an interest rate not to exceed 3.875 percent per annum, the bonds will be purchased by the United States Department of Agriculture (USDA), Rural Development (RD); a Kentucky Infrastructure Authority (KIA) loan in the amount of \$2,000,000, maturing over a period not to exceed 20 years and with an interest rate not to exceed 2.0 percent per annum plus a 0.20 percent annual loan servicing fee; and \$411,000 will be provided from the Warren District's reserve fund.<sup>11</sup>

Under the proposed rates, the monthly bill of a residential sewer customer who uses 4,000 gallons will increase from \$19.96 to \$21.89, or approximately 9.7 percent. For customers who reside inside the city of Smiths Grove under the proposed rates, the monthly bill of a residential sewer customer who uses 4,000 gallons will increase from \$26.74 to \$28.92, or approximately 8.2 percent.<sup>12</sup>

Warren 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

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<sup>10</sup> *Id.* at 2.

<sup>11</sup> *Id.* at 2–3.

<sup>12</sup> Average Usage for a Customer with a 5/8 x 3/4-Inch Meter, as stated in the public notice in the Application, Exhibit E.

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 Warren 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 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. Warren District is granted a CPCN for the proposed project as submitted.
2. Warren District's proposed plan of financing is approved.
3. Warren District is authorized to issue water revenue bonds in the amount of \$645,000, maturing over a period not to exceed 40 years with an interest rate not to exceed 3.875 percent per annum that will be purchased by USDA/RD.
4. Warren District is authorized to enter into a loan in the amount of \$2,000,000 with KIA, maturing over a period not to exceed 20 years and with an interest rate not to exceed 2.0 percent per annum, plus a 0.20 percent annual loan-servicing fee.
5. The proceeds from the promissory note shall be used only for the purposes specified in Warren District's application.
6. Warren District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

7. Notwithstanding ordering paragraphs 5 and 6, if surplus funds remain after the approved construction has been completed, Warren District may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction, and it will not result in a change in Warren District's rates for service. Warren District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

8. Warren 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. Warren 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. Warren 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. Warren 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 Warren District renders on and after the date of this Order.

13. Within 20 days of the date of entry of this Order, Warren 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 utility's 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 Warren District's showing of good cause for such extension.

16. 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.

By the Commission

ENTERED  
JUN 19 2019  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2019-00134

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2019-00134 DATED **JUN 19 2019**

The following rates and charges are prescribed for the customers in the area served by Warren County 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 Sewer Rates

##### 5/8 - x 3/4 - Inch Meter

First	2,000 gallons	\$ 11.77	Minimum bill
Next	6,000 gallons	5.06	per 1,000 Gallons
Next	12,000 gallons	3.92	per 1,000 Gallons
Next	80,000 gallons	3.62	per 1,000 Gallons
All Over	100,000 gallons	3.12	per 1,000 Gallons

##### Minimum Bills for Larger Sized Meters

1 - Inch Meter (Includes the first 5,000 Gallons)	\$ 26.94	Minimum bill
1 1/2 - Inch Meter (Includes the first 10,000 Gallons)	\$ 49.77	Minimum bill
2 - Inch Meter (Includes the first 16,000 Gallons)	\$ 72.66	Minimum bill
3 - Inch Meter (Includes the first 30,000 Gallons)	\$ 122.09	Minimum bill
4 - Inch Meter (Includes the first 50,000 Gallons)	\$ 190.39	Minimum bill
6 - Inch Meter (Includes the first 100,000 Gallons)	\$ 361.14	Minimum bill

#### Sewer Monthly Rates for customers inside the city of Smiths Grove

##### 5/8 - x 3/4 - Inch Meter

First	2,000 gallons	\$ 18.46	Minimum bill
Next	6,000 gallons	5.23	per 1,000 Gallons
Next	12,000 gallons	5.02	per 1,000 Gallons
Next	80,000 gallons	4.40	per 1,000 Gallons
All Over	100,000 gallons	4.00	per 1,000 Gallons

##### Minimum Bills for Larger Sized Meters

1 - Inch Meter (Includes the first 5,000 Gallons)	\$ 34.15	Minimum bill
1 1/2 - Inch Meter (Includes the first 10,000 Gallons)	\$ 59.89	Minimum bill
2 - Inch Meter (Includes the first 16,000 Gallons)	\$ 89.00	Minimum bill
3 - Inch Meter (Includes the first 30,000 Gallons)	\$ 154.14	Minimum bill
4 - Inch Meter (Includes the first 50,000 Gallons)	\$ 242.17	Minimum bill
6 - Inch Meter (Includes the first 100,000 Gallons)	\$ 462.22	Minimum bill



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