

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BRONSTON	)	
WATER ASSOCIATION, INC. FOR A	)	
CERTIFICATE OF PUBLIC CONVENIENCE	)	
AND NECESSITY TO CONSTRUCT A	)	CASE NO.
SYSTEM IMPROVEMENTS PROJECT AND	)	2020-00416
AN ORDER APPROVING A CHANGE IN	)	
RATES AND AUTHORIZING THE ISSUANCE	)	
OF SECURITIES PURSUANT TO KRS 278.023	)	

ORDER

On January 8, 2021, Bronston Water Association, Inc. (Bronston Water) filed an application, pursuant to KRS 278.023, requesting a Certificate of Public Convenience and Necessity (CPCN) to construct a water system improvements project, as described below, and approval of the proposed plan of financing the project. No party has sought intervention in this matter.

Bronston Water, a water association organized under KRS Chapter 273, provides retail water service to approximately 1,819 water customers<sup>1</sup> in Pulaski and Wayne counties, Kentucky.<sup>2</sup>

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<sup>1</sup> *Annual Report of Bronston Water Association, Inc. for the Year Ended December 31, 2019* at 49.

<sup>2</sup> *Id.* at 12.

The Commission notes that its records indicate Bronston Water has not sought a general adjustment in base rates since its last rate case in 2003.<sup>3</sup> In the present case, Bronston Water submitted its application pursuant to KRS 278.023. The Commission is required, pursuant to KRS 278.023, to accept agreements between water utilities and the United States Department of Agriculture, Rural Development (USDA/RD), regarding construction projects, and to issue the necessary orders to implement the terms of such agreements no later than 30 days after filing the application with the Commission. 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 Bronston Water 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 construction will result in the wasteful duplication of facilities, result in an 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 filed pursuant to authority other than KRS 278.023.

Bronston Water is proposing to replace approximately 9,000 LF of existing 3-inch water line with new 6-inch PVC SDR 17 water line along Frazier Chapel Road.<sup>4</sup> The proposed project also consists of the replacement of approximately 10,650 LF of existing 3-inch water line with new 3-inch PVC SDR 21 water line along Kentucky Highway

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<sup>3</sup> Case No. 2003-00159, *Application of Bronston Water Association, Inc. for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC July 7, 2003).

<sup>4</sup> Application, Exhibit A.

1568/Strawberry Road, Taylor Cemetery Road, Hutchinson Lane, Bobbi Drive, and Judy Drive.<sup>5</sup> In addition, the project consists of reconnecting the existing 500,000-gallon glass-lined tank (John Gover Tank) to the existing system by installing a valve vault and 250 LF of 8-inch ductile iron pipe and accessories.<sup>6</sup>

The water line replacement will improve the standard of living for the 83 homes that will be immediately affected by the water line replacement and improvements project.<sup>7</sup> The replacement of the existing water lines that are either deteriorating or undersized with new upgraded water lines will help distribute ample water to the areas that currently are experiencing continuous water leaks.<sup>8</sup> These leaks are difficult to find (requiring a number of days to find), and they lead to low water pressure, problems with the storage tanks draining, and taste problems.<sup>9</sup>

Bronston Water avers that due to the unsuitable condition of the existing water lines scheduled to be replaced through this project, there are no other technically feasible alternatives to correct the situation.<sup>10</sup> If Bronston Water took no action, this would result in costly regular repairs and an unsuitable conditions for the existing residents being served by the water lines.<sup>11</sup>

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

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

<sup>7</sup> Preliminary Engineering Report at 1.

<sup>8</sup> *Id.* at 2.

<sup>9</sup> *Id.*

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

<sup>11</sup> *Id.*

The total cost of the proposed project, including but not limited to legal expenses, land and rights, engineering, construction, and contingencies, is approximately \$793,000.<sup>12</sup> Bronston Water proposes to finance the \$793,000 project cost through the issuance of a \$555,000 promissory note, and a grant of \$238,000 from the United States Department of Agriculture (USDA) acting through Rural Development (RD).<sup>13</sup> RD has committed to purchase said \$555,000 promissory note, with the RD loan maturing over 40 years at an interest rate not to exceed 2.125 percent per annum.<sup>14</sup>

The proposed rates contained in the application are the minimum rates and charges required under the agreement with USDA/RD. Bronston Water District's proposed rates meet the total revenue requirements recommended in the engineering reports. The monthly bill of an average residential water customer who uses 2,822 gallons<sup>15</sup> will increase from \$33.38 to \$34.44, an increase of \$1.06 or approximately 3.18 percent.

IT IS THEREFORE ORDERED that:

1. Bronston Water is granted a CPCN for the proposed project as submitted.
2. Bronston Water's proposed plan of financing is approved.
3. Bronston Water is authorized to obtain an RD loan in the amount of \$555,000 maturing over 40 years at an interest rate not to exceed 2.125 percent per annum.

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<sup>12</sup> Final Engineering Report, Final Budget.

<sup>13</sup> Application at 1.

<sup>14</sup> *Id.* at 1–2.

<sup>15</sup> Application, Exhibit E, Notice of Proposed Rates (Average Usage for a Water Customer with a 5/8- x 3/4-Inch Meter).

4. The proceeds from the water revenue bonds shall be used only for the purposes specified in Bronston Water's application.

5. Bronston Water shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

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

7. Bronston Water 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.

8. Bronston Water 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.

9. Bronston Water 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.

10. Bronston Water shall notify the Commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

11. Any documents filed in the future pursuant to ordering paragraphs 5, 6, 7, 8, and 10 of this Order shall reference this case number and shall be retained in the utility's post-case correspondence file.

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

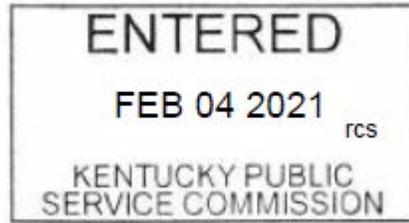
13. The rates set forth in the Appendix to this Order are approved for service that Bronston Water renders on and after the date of this Order.

14. Within 20 days of the date of this Order, Bronston Water 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.

15. This case shall remain open in order for Bronston Water to submit its responses to the Commission Staff's First Request for Information and to allow the Commission ample time to review Bronston Water's responses and evaluate Bronston Water's financial information.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky, or any agency thereof.

By the Commission



ATTEST:

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Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2020-00416 DATED FEB 04 2021

The following rates and charges are prescribed for the customers in the area served by Bronston Water Association, Inc. 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-Inch Meter

First	1,500	Gallons	\$	22.20	Minimum Bill
All Over	1,500	Gallons		0.00738	per Gallon

1-Inch Meter

First	5,000	Gallons	\$	46.04	Minimum Bill
All Over	5,000	Gallons		0.00738	per Gallon

2-Inch Meter

First	20,000	Gallons	\$	121.92	Minimum Bill
All Over	20,000	Gallons		0.00738	per Gallon

4-Inch Meter

First	50,000	Gallons	\$	282.12	Minimum Bill
All Over	50,000	Gallons		0.00738	per Gallon

\*Bronston Water Association, Inc.  
2013 Highway 90  
P. O. Box 243  
Bronston, KY 42518

\*Vickie Ramsey  
Bronston Water Association, Inc. P.O.  
Bronston, KENTUCKY 42518

\*Deron S Byrne, P.E.  
Monarch Engineering, Inc.  
556 Carlton Drive  
Lawrenceburg, KENTUCKY 40342

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