

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                       |   |            |
|---------------------------------------|---|------------|
| ELECTRONIC APPLICATION OF MEADE       | ) |            |
| COUNTY WATER DISTRICT FOR A           | ) |            |
| CERTIFICATE OF PUBLIC CONVENIENCE     | ) |            |
| AND NECESSITY TO CONSTRUCT A          | ) | CASE NO.   |
| SYSTEM IMPROVEMENTS PROJECT AND       | ) | 2021-00087 |
| AN ORDER APPROVING A CHANGE IN        | ) |            |
| RATES AND AUTHORIZING THE ISSUANCE    | ) |            |
| OF SECURITIES PURSUANT TO KRS 278.023 | ) |            |

ORDER

On February 26, 2021, Meade County Water District (Meade District) filed an application, pursuant to KRS 278.023, requesting a Certificate of Public Convenience and Necessity (CPCN) to construct a water system improvements project and approval of the proposed plan of financing the project. No party has sought intervention in this matter.

Meade District, a water district organized under KRS Chapter 74, provides retail water service to approximately 5,059 water customers<sup>1</sup> in Meade County, Kentucky.<sup>2</sup> The Commission's Division of Inspections last inspected Meade District on January 16, 2020. Based on the inspector's observations, no deficiencies were identified.

Meade District has 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),

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<sup>1</sup> *Annual Report of Meade County Water District for the Year Ended December 31, 2019* at 49.

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

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 Meade 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 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 not filed pursuant to KRS 278.023.

The proposed project consists of installation of approximately 87,000 linear feet of new 4, 6, and 8-inch water mains to eliminate dead end lines and extend service to unserved areas of southern and eastern Meade County.<sup>3</sup> Meade District avers that the new lines and extension will improve water flow within the distribution network from the primary connection Hardin Count Water District #1 creating 12 loops and eliminating dead end lines.<sup>4</sup> The extensions to unserved areas will make water available for up to 200 unserved households.<sup>5</sup>

The total estimated cost of the proposed project, including but not limited to legal expenses, land and rights, engineering, construction, and contingencies, is approximately \$2,506,170.<sup>6</sup> Meade District proposes to finance the \$2,506,170 cost of the project

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<sup>3</sup> Application, Exhibit A.

<sup>4</sup> *Id.*

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

<sup>6</sup> Final Engineering Report at 6.

through the issuance of \$2,506,170 of its Water System Revenue Bonds.<sup>7</sup> Meade District has a commitment from USDA/RD to purchase the \$2,506,170 in bonds maturing over a 40 years, at an interest rate not to exceed 1.875 percent per annum.<sup>8</sup>

The proposed rates contained in the application are the minimum rates and charges required under the agreement with USDA/RD. Meade District's proposed rates meet the total revenue requirements recommended in the engineering reports. The monthly bill of an average customer who uses 3,870 gallons<sup>9</sup> will increase from \$35.45 to \$39.53, an increase of \$4.08 or approximately 11.5 percent. Based on the information provided herein, Commission Staff will monitor whether Meade District's proposed rates meet the total revenue requirements recommended in the engineering reports. Therefore, Commission Staff is hereby attaching a Request for Information as Appendix B to this Order to Meade District to clarify this matter.

IT IS THEREFORE ORDERED that:

1. Meade District is granted a CPCN for the proposed project as submitted.
2. Meade District's proposed plan of financing is approved.
3. Meade District is authorized to issue \$2,506,170 of its Water System Revenue Bonds in the amount of \$2,506,170 maturing over 40 years at an interest rate not to exceed 1.875 percent per annum.
4. The proceeds from the issuance of the Water System Revenue Bonds shall be used only for the purposes specified in Meade District's application.

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<sup>7</sup> Application at 2.

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

<sup>9</sup> Application, Exhibit E.

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

6. Meade 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.

7. Meade 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.

8. Meade 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.

9. Meade District 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, 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 Meade District's showing of good cause for such extension.

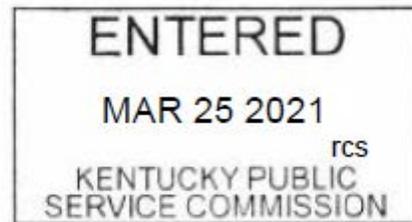
12. The rates set forth in Appendix A to this Order are approved for service that Meade District renders on and after the date of this Order.

13. Within 20 days of the date of this Order, Meade District shall file revised tariff sheets with the Commission, using the Commission's electronic Tariff Filing System, containing the rates set forth in Appendix A to this Order.

14. This case shall remain open pursuant to the issuance of the Request for Information, attached hereto as Appendix B; for Meade District to submit its responses to the Request for Information; and to allow the Commission ample time to review Meade District's responses and evaluate Meade District's financial information.

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



ATTEST:

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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2021-00087 DATED MAR 25 2021

The following rates and charges are prescribed for the customers in the area served by Meade 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 Water Rates

All meter sizes

|                     |             |                |
|---------------------|-------------|----------------|
| First 2,000 Gallons | \$ 20.74    | Minimum Bill   |
| Next 5,000 Gallons  | 0.01005     | Per Gallon     |
| Next 10,000 Gallons | 0.00968     | Per Gallon     |
| Next 20,000 Gallons | 0.00882     | Per Gallon     |
| Over 37,000 Gallons | 0.00762     | Per Gallon     |
| <br>Bulk Sales      | <br>0.00706 | <br>Per Gallon |

Wholesales Rates

|                   |         |            |
|-------------------|---------|------------|
| Doe Valley Water  | 0.00470 | Per Gallon |
| Otter Creek Water | 0.00484 | Per Gallon |

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00087 DATED MAR 25 2021

#### FIRST REQUEST FOR INFORMATION TO MEADE COUNTY WATER DISTRICT

Meade County Water District (Meade District), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due within 14 days of the date of this request. The Commission directs Meade District to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085<sup>10</sup> regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

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<sup>10</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

Meade District shall make timely amendment to any prior response if Meade District obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Meade District fails or refuses to furnish all or part of the requested information, Meade District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Meade District shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, Exhibit D, Certificate of the Chairman. The Chairman of Meade District certifies “That the rates of the Association shall produce the total revenue requirements set out in the engineering reports.” Commission regulation 807 KAR 5:069, Section 2(6)(c), provides the proposed rates, if any, shall produce the total revenue requirements recommended in the engineering reports. Provide a copy of the billing analysis in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible, showing revenue at current rates and at proposed rates based on actual and forecasted water usage for the existing system for 12 months that

supports the revenue requirement recommended in the Engineering Report and referenced by the Chairman of Meade District.

2. Provide a schedule in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible showing that Meade District will meet the debt service coverage requirements of its lenders (existing and proposed long-term debt) for the three years following the completion of its proposed construction project. Include all calculations, assumptions (customer growth and increases in operating expenses), and workpapers used by Meade District in its response.

3. Provide a schedule in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible showing Meade District's debt service coverage (existing and proposed long-term debt), including full recovery of its depreciation expense (existing plant and the completed project) for the three years following the completion of its proposed construction project. Include all calculations, assumptions (customer growth and increases in operating expenses), and workpapers used by Meade District in its response.

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