

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MONTGOMERY)	
COUNTY WATER DISTRICT #1 FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY TO ACQUIRE AND INSTALL WATER)	CASE NO.
SYSTEM IMPROVEMENTS AND AN ORDER)	2023-00098
APPROVING A CHANGE IN RATES AND)	
AUTHORIZING THE ISSUANCE OF SECURITIES)	
PURSUANT TO 278.023)	

ORDER

On March 23, 2023, Montgomery County Water District #1 (Montgomery District #1) tendered an application, pursuant to KRS 278.023, requesting a Certificate of Public Convenience and Necessity (CPCN) to purchase equipment, approval of its plan to finance the proposed project, and an increase of water rates. The application was deemed filed on May 2, 2023.¹ There were no requests for intervention or a public hearing. The matter now stands submitted for a decision by the Commission.

LEGAL STANDARD

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

¹ As part of its application, Montgomery District #1 requested numerous deviations from the filing requirements. The deviations were addressed in a separate motion resulting in the application not being accepted as filed under May 2, 2023.

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 Montgomery District #1 or defer the issuance of all necessary orders to implement the terms of that agreement.

KRS 278.023 does not grant 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, resulting in an excessive investment, or its proposed rates are unfair, unjust, or unreasonable. As explained in KRS 278.023(1), the limits on the Commission's review are because federal financing of these projects entails prior review and oversight by a federal agency and obligates the utility to take certain actions; conflicting requirements between the federal agency and the Commission may jeopardize the project and place the utility in an untenable position. 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 legal standard established in KRS 278.023 requires that (1) the applicant be a water utility formed under KRS Chapter 74 or 273; and (2) the construction project must be funded in whole or in part under terms of an agreement between the water utility, USDA or United States HUD.

BACKGROUND

Montgomery District #1, a water district organized under KRS Chapter 74, requested a CPCN to acquire and install equipment to improve its existing water system. The proposed project involves the purchase of 735 radio read meters, a new utility truck,

dump trailer, eight new fire hydrants, and maintenance on existing fire hydrants in the distribution system.²

Montgomery District #1 stated the total cost of the proposed project is \$300,000. Montgomery District #1 further stated that the proposed project will be financed through the issuance of waterworks revenue bonds in the amount of \$225,000, maturing over 40 years with an interest rate not to exceed 2.25 percent per annum, and an USDA/RD grant in the amount of \$75,000.³

As part of the agreement with USDA/RD, Montgomery District #1 is required to charge minimum rates.⁴ Montgomery District #1's current rates do not meet the minimum rates required by USDA/RD and is therefore seeking an increase in rates. Under the proposed rates, the average monthly bill of a residential or commercial customer who uses 5,000 gallons per month will increase from \$48.09 to \$52.14, an increase of \$4.05 or 8.4 percent.⁵

DISCUSSION AND FINDINGS

Having considered the application and all evidence in the record, the Commission finds that the application should be approved pursuant to KRS 278.023. Montgomery District #1 is a water district organized under KRS Chapter 74 and the approvals sought are authorized or required by the USDA/RD agreement, which satisfies the legal standard established in KRS 278.023.

² Application, Exhibit A.

³ Application at 2.

⁴ Application, Exhibit B.

⁵ Application, Exhibit F.

The Commission reminds Montgomery District #1 that it was ordered to file a general rate adjustment pursuant to 807 KAR 5:001E, Section 16, or an application for an alternative rate adjustment pursuant to 807 KAR 5:076, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues explaining the reasons why no modifications are necessary by August 30, 2023, in Case No. 2022-00242.⁶ The Commission does not look favorably on requests to extend the time period to comply with the Order issued in Case No. 2022-00242 absent good cause to grant such a request.

IT IS THEREFORE ORDERED that:

1. Montgomery District #1 is granted a CPCN for the proposed project.
2. Montgomery District #1's proposed plan of financing is approved.
3. Montgomery District #1 is authorized to issue \$225,000 of its Waterworks Revenue Bonds maturing over 40 years at an interest rate not to exceed 2.25 percent per annum and an USDA/RD grant in the amount of \$75,000.
4. The rates set forth in the Appendix to this Order are approved for service that Montgomery District # 1 renders on and after the date of this Order.
5. Within 30 days of the date of this Order, Montgomery District # 1 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.
6. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Montgomery District #1's application.

⁶ Case No. 2022-00242, *Electronic Purchased Water Adjustment Filing of Montgomery County Water District No. 1* (Ky. PSC Aug. 30, 2022), Order at 6.

7. Montgomery District #1 shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

8. Notwithstanding ordering paragraph 5, if surplus funds remain after the approved project has been completed, Montgomery District #1 may use such surplus to construct additional plant facilities if USDA/RD approves of the use and the additional construction will not result in a change in Montgomery District #1's rates for service. Montgomery District #1 shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 4.

9. Montgomery District #1 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.

10. Any documents filed in the future pursuant to this Order shall reference this case number and shall be retained in the post-case correspondence file for this proceeding.

11. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Montgomery District #1's showing of good cause for such extension.

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

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


PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2023-00098 DATED MAY 30, 2023

5/8- x 3/4-Inch Meter

First	2,000	Gallons	\$26.46	Minimum Bill
Next	3,000	Gallons	0.00856	Per Gallon
Next	5,000	Gallons	0.00775	Per Gallon
Over	10,000	Gallons	0.00694	Per Gallon

Wholesale

0.00384 Per Gallon

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