

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTHERN WATER AND	)	
SEWER DISTRICT FOR A CERTIFICATE OF	)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO	)	2012-00165
CONSTRUCT AND FINANCE PURSUANT TO	)	
KRS 278.023	)	

O R D E R

On April 30, 2012, Southern Water and Sewer District ("Southern District") applied for a Certificate of Public Convenience and Necessity to construct wastewater collection and treatment facilities and for approval of its plan to finance the proposed project.

Southern District proposes to construct a new 100,000 gallon per day regional wastewater treatment plant and appurtenances and to install approximately 26,150 linear feet of sanitary sewer trunk force mains, approximately 1,430 linear feet of gravity sewer lines, and 63 grinder pump stations. The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is \$3,750,087. Southern District states that the proposed project is necessary to provide public wastewater service to southern Floyd County along the US Highway 23 corridor.

Southern District proposes to finance the proposed construction with the proceeds of a loan of \$1,094,143 from the Kentucky Infrastructure Authority ("KIA"); a grant of \$200,000 from Rural Development ("RD"), an agency of the U.S. Department of Agriculture; a grant of \$500,000 from the Appalachian Regional Commission ("ARC");

appropriated funds from the Kentucky General Assembly<sup>1</sup> in the amount of \$1,600,000; Coal Severance Grants in the amount of \$55,944; and a grant of \$300,000 from the Local Government Economic Development Fund. The proposed KIA loan provides for forgiveness of 30 percent of the principal amount, or approximately \$328,243, over the 20-year term of the loan and for an interest at a rate of one percent per annum.

Southern District submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1) and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and 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 RD and Southern 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 district's proposed facilities will result in the wasteful duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable.

Southern District's application met the minimum filing requirements of KRS 278.023 on April 30, 2012. 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.

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<sup>1</sup> See 2006 Ky. Acts Ch. 352; 2008 Ky. Acts Ch. 191.

IT IS THEREFORE ORDERED that:

1. Southern District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Southern District's proposed plan of financing is accepted.
3. Southern District is authorized to enter an Assistance Agreement with KIA to borrow \$1,094,143. Thirty percent of the principal will be forgiven over the life of the loan and the remaining portion will be repaid over a 20-year period at an interest rate of one percent per annum.
4. When Southern District receives principal forgiveness, it shall debit the appropriate Long Term-Debt Account for the amount of the forgiveness and make a corresponding credit entry to Account 271 – Contributions In Aid of Construction.
5. The proceeds from the loan shall be used only for the purposes specified in Southern District's application.
6. Notwithstanding ordering paragraph 5, if surplus funds remain after the approved construction has been completed, Southern District may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction will not result in a change in Southern District's rate for service. Southern District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
7. Southern District shall file a copy of the "as-built" drawings and a certified statement of a licensed professional engineer with a Kentucky registration in civil or mechanical engineering that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certified herein.

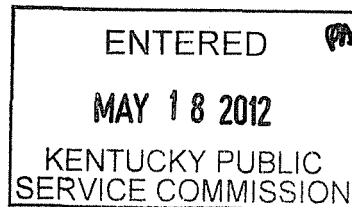
8. Southern District shall require the construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

9. Southern shall notify the Commission one week prior to the actual start of construction and at the 50-percent completion point.

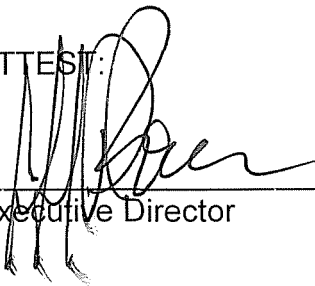
10. Any documents filed in the future pursuant to ordering paragraphs 6, 7, or 9 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

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

By the Commission



ATTEST:

  
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Executive Director

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