

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)	
WATER DISTRICT FOR APPROVAL OF THE)	
REPLACEMENT OF THE DUDLEY COMPLEX)	CASE NO.
SODIUM HYPOCHLORITE BUILDING,)	2015-00169
ISSUANCE OF A CERTIFICATE OF)	
CONVENIENCE AND NECESSITY AND)	
APPROVAL FOR FINANCING)	

ORDER

Northern Kentucky Water District (“NKWD”) has applied for a Certificate of Public Convenience and Necessity (“CPCN”) for construction at the Dudley Complex Sodium Hypochlorite Building and for approval, if required, of its plan to finance the proposed construction.

Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. NKWD, a water district organized under KRS Chapter 74, provides retail water service to approximately 81,171 customers in Boone, Campbell, and Kenton counties, Kentucky, and wholesale water service to Bullock Pen Water District, city of Walton, and Pendleton County Water District.¹

2. NKWD’s initial application was received and accepted as filed with the Commission on June 1, 2015. No person has sought intervention in this matter. NKWD

¹ *Annual Report of Northern Kentucky Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2014* at 14, 56, and 63.

has not requested a hearing in this matter, and the Commission finds the record complete.

3. The facilities of NKWD's Dudley Complex in Edgewood, Kentucky, include two five million-gallon water storage tanks, two pump stations, a chemical feed building, a bulk storage building, and chemical feed facilities.²

4. The chemical feed building was built in 1963 and contains the day tanks and the chemical metering feed pumps. The bulk storage building was built in 1993 and contains two large tanks for storing the sodium hypochlorite in bulk.³

5. The sodium hypochlorite is transferred from the bulk storage building to the chemical feed building through buried polyvinyl chloride conduit.⁴

6. NKWD utilizes sodium hypochlorite as a disinfectant to boost the chlorine residual in the distribution being fed from the Dudley Complex.⁵

7. NKWD states that for the period of 2008 to the filing of the application, the chlorine storage and feed system at the Dudley Complex experienced 12 leaks and two uncontained spills.⁶

² Application, numbered paragraph 5

³ Application, Exhibit A at 1; June 29, 2015 Letter from John N. Hughes (Counsel for NKWD) to Jeff Derouen, Executive Director, Kentucky Public Service Commission, filed June 29, 2015 ("June 29, 2015 Letter from Hughes").

⁴ June 29, 2015 Letter from John N. Hughes.

⁵ Application, Exhibit A at 9.

⁶ June 29, 2015 Letter from John N. Hughes.

8. NKWD states that the existing Dudley Complex chemical feed facilities used to boost the chlorine residual have been identified as not having adequate spill containment.⁷

9. NKWD proposes to replace the existing sodium hypochlorite storage and feed buildings at the Dudley Complex through the construction of a new building to house all of the storage and feed equipment associated with liquid sodium hypochlorite used at the Dudley Complex.⁸

10. NKWD states that the proposed new building will have adequate spill containment, facilities for detecting spills that may occur from a broken pipe or other failure, and a system of alarms which will provide NKWD with the ability to remotely monitor the status of the chemical feed facilities.⁹

11. Total cost of the proposed project, including engineering costs, construction costs, and miscellaneous and contingency costs, is approximately \$1,060,000.¹⁰

12. The existing chemical feed building will be demolished as part of the project, all existing buried chemical feed piping will be abandoned and replaced with new piping, and the existing bulk storage building will be repurposed as maintenance storage for items such as pumping parts inventory.¹¹

⁷ Application, Exhibit A at 1; Application Exhibit B, April 9, 2015 Letter from Mark Rasche, Professional Engineer, Supervisor, Engineering Section, Water Infrastructure Branch, KDOW, to Amy Kramer, NKWD; and June 29, 2015 Letter from John N. Hughes.

⁸ Application, Exhibit A at 1.

⁹ June 29, 2015 Letter from John N. Hughes at 2.

¹⁰ Application, numbered paragraph 6.

¹¹ June 29, 2015 Letter from John N. Hughes at 2.

13. GRW Engineers, Inc. ("GRW") prepared the plans and specifications for the proposed project, and NKWD submitted a preliminary engineering report prepared by GRW.

14. The preliminary engineering report states that, in addition to addressing the issue of inadequate spill containment, the proposed chemical feed building and facilities are designed to provide redundancy in the equipment installed and to provide operator flexibility in selection of the equipment used in the feed process.¹²

15. The Kentucky Division of Water ("KDOW") has approved the plans and specifications for the proposed project.¹³

16. The proposed construction will not result in wasteful duplication of existing facilities.

17. The proposed construction does not conflict with any existing certificates or the service of any other utility operating in the area.

18. Public convenience and necessity require the proposed construction to allow NKWD to continue to provide reliable and adequate water service to its customers.

19. NKWD intends to finance the proposed project with \$1,060,000 from a future bond anticipation note ("BAN").¹⁴ Because the proposed project will be financed through a two-year BAN, pursuant to KRS 278.300(8), Commission approval of the

¹² Application, Exhibit A at 9.

¹³ Application, Exhibit B, April 9, 2015 Letter from Mark Rasche, Professional Engineer, Supervisor, Engineering Section, Water Infrastructure Branch, KDOW, to Amy Kramer, NKWD.

¹⁴ Application, numbered paragraph 6.

financing is not presently required. However, pursuant to KRS 278.300, NKWD should seek Commission approval before issuing any long-term revenue notes.

IT IS THEREFORE ORDERED that:

1. NKWD is granted a CPCN to proceed with the proposed construction as set forth in its Application.

2. NKWD shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

4. NKWD 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, 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.

5. NKWD shall file a copy of the "as-built" drawings and a certified statement 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 certificated herein.

6. NKWD shall require 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

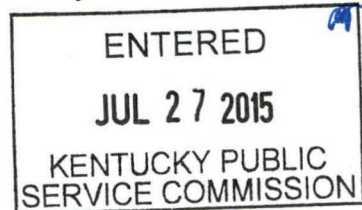
the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

7. NKWD shall submit an application to the Commission prior to issuing any securities that require approval pursuant to KRS 278.300.

8. Any documents filed in the future pursuant to ordering paragraphs 2, 4, and 5 shall reference this case number and shall be retained in the utility's general correspondence file.

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

By the Commission



ATTEST:



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