

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRANT COUNTY SANITARY	)	
SEWER DISTRICT FOR A CERTIFICATE OF	)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO	)	2013-00404
CONSTRUCT AND APPROVAL TO FINANCE A	)	
SANITARY SEWER EXTENSION PROJECT	)	

ORDER

Grant County Sanitary Sewer District ("Grant District") has applied for a Certificate of Public Convenience and Necessity ("Certificate") to construct a sanitary sewer improvement project and for authority to enter an assistance agreement with Kentucky Infrastructure Authority ("KIA") to finance the proposed construction.

Having reviewed the application and being otherwise sufficiently advised,<sup>1</sup> the Commission finds that:

1. Grant District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that provide sewage collection and treatment services to approximately 1,395 customers in Grant County, Kentucky.<sup>2</sup>
2. Grant District proposes to construct a sewer lift station and approximately 3.59 miles of forced sewer main and appurtenances.<sup>3</sup>

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<sup>1</sup> Grant District tendered its application on November 15, 2013. In its application, Grant District requested a deviation from 807 KAR 5:001, Section 12. On December 6, 2013, the Commission granted the deviation request and accepted the application for filing. No persons or entities have intervened in this matter. The Commission has received no requests for hearing and finds the record is complete.

<sup>2</sup> *Annual Report of Grant County Sanitary Sewer District to the Public Service Commission of Kentucky for the Year Ending December 31, 2012* at 1 and 8.

<sup>3</sup> The Water Resource Information System identifies this proposed construction as Project No. SX2108308. See <http://wris.ky.gov/portal/CwPrjData/SX21081308> (last visited Jan. 5, 2014).

3. The proposed sanitary sewer main extension will enable Grant District to extend sewer service to approximately 46 households that are located along Violet Road in Grant County and adjacent to Bullock Pen Lake and that are currently served by on-site sanitary septic systems.<sup>4</sup> Sixteen of these septic systems have been designated as “failing septic systems.”<sup>5</sup>

4. Of the 3.59 miles of proposed sanitary sewer main extension, approximately 1.2 miles are pressurized sewer main with individual grinder pumps installed for each customer connection.<sup>6</sup>

5. The proposed sanitary sewer main extension is expected to reduce the risk of contamination of Bullock Pen Lake, which is Bullock Pen Water District’s raw water source.<sup>7</sup>

6. The elevation of the top of the manholes for the proposed sanitary sewer line extension is lower than the designed sewer level for existing Bingham Lift Station.<sup>8</sup>

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<sup>4</sup> App. ¶ 8B.

<sup>5</sup> Project Profile No. SX2108308 at 6, *available at* <http://wris.ky.gov/portal/CwPrjData/SX2108308>.

<sup>6</sup> Kentucky Infrastructure Authority Board Meeting Booklet for October 3, 2013 (“KIA Board Booklet”) at 23, *available at* [http://migration.kentucky.gov/NR/rdonlyres/D6A16764-8C68-40B0-BB5D-811EDE018313/0/kiaboard book100313.pdf](http://migration.kentucky.gov/NR/rdonlyres/D6A16764-8C68-40B0-BB5D-811EDE018313/0/kiaboard%20book100313.pdf) (last visited Jan. 5, 2014).

<sup>7</sup> App. ¶ 8B.

<sup>8</sup> Project Profile No. SX2108307 at 1, *available at* <http://wris.ky.gov/portal/CwPrjData/SX2108307> (last visited Jan. 5, 2014). In Project Profile No. SX2108307, Grant District explains the need for relocating the Bingham Lift Station. The relocation of that lift station was eventually merged into Project No. SX2108308.

7. The existing Bingham Lift Station was constructed in 1988 and has in recent years “required an inordinate amount of repair.”<sup>9</sup>

8. The proposed sewer lift station will be constructed approximately 2,500 feet downstream from Grant District’s existing Bingham Lift Station and will replace that lift station.<sup>10</sup>

9. Construction of the proposed lift station will increase Grant District’s storage capacity and enhance Grant District’s ability to provide sewer service to additional customers, including those added as a result of the construction of the proposed sanitary sewer main extension.

10. CMW, Inc. of Lexington, Kentucky, prepared the plans and specifications for the proposed project.

11. The Kentucky Division of Water has approved the plans and specifications for the proposed project.<sup>11</sup>

12. The proposed project will not result in wasteful duplication of existing facilities.

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

14. The public convenience and necessity require the proposed project.

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<sup>9</sup> App. ¶ 8A.

<sup>10</sup> App. Ex. 3.

<sup>11</sup> Letter from Mark Rasche, Professional Engineer, Supervisor, Kentucky Division of Water, to William Catlett, General Manager, Grant County Sanitary Sewer District (Sept. 9, 2013).

15. Total cost of the proposed project, including administrative expenses, legal expenses, engineering cost, construction cost, and contingencies, is approximately \$1,276,449.<sup>12</sup>

16. Total construction cost of the proposed project is \$716,250.<sup>13</sup>

17. Grant District proposes to finance the proposed project with the proceeds of the proposed KIA loan and with local funds of \$65,000.<sup>14</sup>

18. Grant District proposes to execute an Assistance Agreement with KIA to borrow \$1,211,449 to be repaid over a period not to exceed 20 years at an interest rate of 3 percent per annum.<sup>15</sup>

19. Grant District will not be required to make principal and interest payments on the proposed Assistance until 2015.<sup>16</sup>

20. Present projections indicate that Grant District will be able to maintain a debt service coverage ratio of 1.1 after executing the Assistance at least through 2018 and is not projected to require any adjustment of sewer service rates to meet its loan requirements prior to then.<sup>17</sup>

21. The proposed loan with KIA is for lawful objects within Grant District's corporate purpose, is necessary, appropriate for, and consistent with the proper

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<sup>12</sup> App. Ex. 4.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*

<sup>15</sup> Letter from Tammy J. McCall, Financial Analyst, Kentucky Infrastructure Authority, to Bobby Burgess, Chairman, Grant County Sanitary Sewer District (Oct. 4, 2013) at 1 – 2.

<sup>16</sup> KIA Board Booklet at 26 -27.

<sup>17</sup> *Id.*

performance of Grant District's service to the public, will not impair Grant District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Grant District is granted a Certificate to proceed with the proposed project as set forth in its application.

2. Grant District 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. Grant District shall file with the Commission documentation of the total cost of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), 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. Grant District 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. Grant District shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil, electrical, 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. Grant District is authorized to execute an Assistance Agreement with KIA to borrow an amount not to exceed \$1,211,449 to be repaid over a period not to exceed 20 years at an interest rate of 3 percent per annum.

8. Within 30 days of executing its proposed Assistance Agreement with KIA, Grant District shall advise the Commission, in writing, of execution of that agreement and of any terms in that loan agreement that differ from those described in Grant District's application.

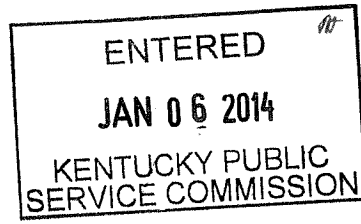
9. Grant District shall use the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its application.

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

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

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

By the Commission



ATTEST:

  
Executive Director

Bobby J Burgess  
Chairman  
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