

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CUMBERLAND FALLS HIGHWAY)	
WATER DISTRICT FOR APPROVAL OF FINANCING)	CASE NO.
AND ISSUANCE OF A CERTIFICATE OF)	2017-00268
CONVENIENCE AND NECESSITY)	

ORDER

On July 5, 2017, Cumberland Falls Highway Water District (“Cumberland Falls Highway”) submitted an application for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a water works improvement project and approval of financing of the project. No person has sought intervention in this matter, and Cumberland Falls Highway has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Cumberland Falls Highway, a water district organized under KRS Chapter 74, provides retail water service to approximately 3,269 customers in Whitley County, Kentucky.¹

Cumberland Falls Highway proposes to install approximately 47,130 linear feet of 3-inch, 4-inch and 6-inch water main replacement and extensions and associated appurtenances. The proposal includes replacing approximately 39,300 linear feet of existing water distribution mains that are undersized or prone to excessive leaking and replacing variously sized directionally drilled stream crossings and other appurtenances

¹ *Annual Report of Cumberland Falls Highway Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2016 at 12 and 48.*

such as gate valves, blow-off assemblies, air-release valves, residential meter settings, and leak-detection meters. The project funding will also allow enable Cumberland Falls Highway to purchase radio-read meters that will replace the last of the conventional meters in its distribution system and upgrade the Supervisory Control and Data Acquisition system. The project will lower Cumberland Falls Highway's water loss and reduce purchased water costs by replacing existing leak-prone lines, reduce maintenance costs resulting from frequent leak repairs, and reduce transportation/personnel costs associated with meter reading.² Much of the line to be replaced was initially installed by private home owners 20 or more years ago and was designed to serve only the residences that existed at the time, not to service growth or be extended. Approximately 260 customers will directly benefit from improved service, and the entire customer base will benefit from lower costs.³

The total cost of the proposed project, including administrative, legal, engineering, construction, and contingencies, is approximately \$1,723,000. This project is to be financed with a \$1,720,500 loan from the Kentucky Infrastructure Authority ("KIA") Revolving Loan Fund ("Fund F") and \$2,500 of funds to be provided by Cumberland Falls Highway. The \$1,720,500 KIA Loan is to be repaid over a 20-year term at an interest rate of 0.75 percent per annum, with a loan-servicing fee of 0.25 percent of the annual outstanding loan balance payable to KIA with each interest payment.⁴ Cumberland Falls

² Application, Exhibit A.

³ It is estimated that 15 new customers and 245 underserved customers will be served by the project.

⁴ Application, Exhibit D.

Highway has received a Conditional Commitment from KIA for this loan; this Conditional Commitment expires on November 16, 2017.⁵ No rate adjustment is being proposed.

Kenvirons, Inc. of Frankfort, Kentucky, prepared the plans and specifications for the proposed project. The Kentucky Division of Water (“KDOW”) approved the plans and specifications of the proposed project on May 11, 2017.⁶ The Kentucky Transportation Cabinet’s (“KTC”) approved Encroachment Permits on August 29, 2016.⁷ Construction on the proposed project is scheduled to begin on August 15, 2017, or upon PSC approval, and completion is estimated to be by March 13, 2018.⁸

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

1. The record for this case is complete.
2. The proposed construction will not result in wasteful duplication of existing facilities.
3. The proposed construction does not conflict with any existing certificates or service of any other utility operating in the area.
4. Public convenience and necessity requires the proposed construction, which will allow Cumberland Falls Highway to continue providing reliable and adequate water services to its customers.
5. KDOW has approved the plans and specifications for this proposed project.

⁵ *Id.*, Exhibit D.

⁶ *Id.*, Exhibit B.

⁷ *Id.*, Exhibit B.

⁸ *Id.*, paragraph 19.

6. The proposed Assistance Agreement with KIA is for lawful objects within Cumberland Falls Highway's corporate purpose. It is necessary for, appropriate for, and consistent with the proper performance of Cumberland Falls Highway's service to the public; it will not impair Cumberland Falls Highway's ability to perform that service; it and is reasonably necessary and appropriate for such purpose.

7. Cumberland Falls Highway should be authorized to utilize \$1,720,500 of the Assistance Agreement on the project approved herein.

IT IS THEREFORE ORDERED that:

1. Cumberland Falls Highway is granted a CPCN for the proposed project as submitted.

2. Cumberland Falls Highway's proposed plan of financing is approved. Cumberland Falls Highway is authorized to enter into the proposed Assistance Agreement with KIA in the amount of \$1,720,500 to be repaid over a 20-year period at an interest rate of 0.75 percent per annum, with a loan-servicing fee of 0.25 percent of the annual outstanding loan balance payable to KIA with each interest payment.

3. Within 30 days of executing its proposed Assistance Agreement with KIA, Cumberland Falls Highway shall file with the Commission an executed copy of the Assistance Agreement. Cumberland Falls Highway shall use \$1,720,500 of the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its application. None of the proceeds shall be used for the construction of any project not clearly identified in Cumberland Falls Highway's Application and approved by the Commission in this proceeding, unless and until Cumberland Falls Highway obtains prior Commission approval for the use of the proceeds.

4. The proceeds from the Assistance Agreement shall be used only for the purposes specified in Cumberland Falls Highway's application.

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

6. Cumberland Falls Highway 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, 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.

7. Cumberland Falls Highway 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.

8. Cumberland Falls Highway shall require 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.

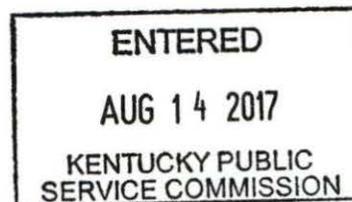
9. Cumberland Falls Highway shall notify the commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

10. Any documents filed in the future pursuant to ordering paragraphs 3, 6, 7, and 9 shall reference this case number and shall be retained in the post-case correspondence file.

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

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:

A handwritten signature in blue ink, appearing to read "Paul Starnes", written over a horizontal line.

Acting Executive Director

*Cumberland Falls Highway Water District
6926 Cumberland Falls Highway
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*Honorable John N Hughes
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