

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)	
WATER DISTRICT FOR APPROVAL OF)	
REMODELING BUILDING FOR OFFICES AND)	CASE NO. 2005-00063
CERTIFICATE OF CONVENIENCE AND)	
NECESSITY)	

ORDER

Northern Kentucky Water District (“NKWD”) has applied for a Certificate of Public Convenience and Necessity to remodel and refurbish acquired facilities for use as an office building.¹ Having reviewed the application and evidence of record, the Commission finds that:

1. NKWD, a water district organized and operated pursuant to KRS Chapter 74, owns and operates water treatment and distribution facilities that serve approximately 78,469 customers in Boone, Campbell, Kenton, and Pendleton counties, Kentucky.²

¹ NKWD filed its application with the Commission on February 4, 2005. The Attorney General (“AG”) is the only party to intervene in this proceeding. The Commission granted his motion for intervention on March 3, 2005. Commission Staff served interrogatories and requests for production of documents to NKWD on March 17, 2005. NKWD submitted its response on March 24, 2005. On April 22, 2005, the AG advised the Commission that he did not wish a hearing in this matter or object to the case standing submitted for decision based upon the existing record. The AG has not stated any objections to NKWD’s requested relief.

² Annual Report of Northern Kentucky Water District to the Kentucky Public Service Commission for the Year Ending December 31, 2004.

2. NKWD is the result of a merger of Campbell County Kentucky Water District and Kenton County Water District No. 1, which occurred on January 1, 1997.³

3. Upon completion of the merger, NKWD possessed office and warehouse facilities in several locations spread over its service territory.

4. NKWD's operations are currently located in three sites:

a. NKWD's Aqua Drive site is located in Cold Springs, Campbell County, Kentucky. It covers approximately 20.3 acres. Improvements on the site are: a single story office building with 5,600 square feet of office space, attached garages with approximately 3,990 square feet of storage space, a metal building, and an elevated storage tank. NKWD's financial staff and flushing crews are quartered at this site. NKWD's Board of Commissioners holds its meetings at this site.⁴

b. NKWD's Edgewood site is located in Edgewood, Kenton County, Kentucky. The site covers approximately 0.787 acres and contains a one-story office building with approximately 10,900 square feet of space. NKWD's cashiering, billing, engineering, construction inspection, human resources and customer field staff are quartered at this site. Payments for customer bills and applications for employment are taken at this site.⁵

³ See Case No. 1996-00234, Joint Application of Kenton County Water District No. 1 and Campbell County Kentucky Water District For Authority to Merge Into Northern Kentucky Water Service District and Authority For the Combined District to Operate (Ky. PSC Aug. 28, 1996).

⁴ Application at Exhibit D.

⁵ Id.

c. NKWD's Kenton Lands site is located in Erlanger, Kenton County, Kentucky. Improvements on the site are: an elevated water storage tank, an office building with approximately 1,910 square feet of space, a warehouse with approximately 11,880 square feet of space, and detached outbuildings with a combined storage space of 4,975 square feet. NKWD's distribution repair crews are quartered at this site. Additionally, NKWD's meter shop, vehicle maintenance facilities, and distribution repair materials are located at this site.⁶

5. NKWD's total combined office space for its three current facilities is 18,420 square feet. NKWD also leases an additional 800 square feet of office space for storing engineering plans and files and performing large format copying.

6. The total warehouse/garage area of NKWD's existing facilities is 15,870 square feet. NKWD has an additional 4,975 square feet of covered outbuildings.

7. On January 29, 2002, Humpert Wolnitzek Architects issued a "Proposed Central Facility Space Needs Assessment" for NKWD. In this study, its authors concluded that within the next five years NKWD would require approximately 37,800 square feet of office space; 14,900 square feet of space for maintenance facilities; 23,600 square feet of space for garaging its vehicles; 14,600 square feet of material storage space; and 64,000 square feet of yard storage. They further concluded that a central facility would require at least 14.5 acres of usable land.

8. None of NKWD's present sites meet the requirements set forth in the "Proposed Central Facility Space Needs Assessment."

⁶ Id.

9. NKWD inspected five potential sites for construction of a new central office facility. Each facility either lacked sufficient usable acreage or suffered from additional problems.⁷

10. NKWD estimates the cost of constructing a new building to serve as its central office facility at approximately \$13 million.⁸

11. On April 1, 2004, NKWD purchased the proposed office site from the Cincinnati Steel Treating Company for a total purchase price of \$4.9 million. The transfer of title occurred in 2004.

12. The proposed office site is located at 2835 Crescent Springs Road in Erlanger, Kentucky.

13. The proposed office site is approximately 24.4 acres in size.

14. Three structures are currently located on the proposed office site: an industrial building with approximately 90,000 square footage, an industrial building with approximately 5,600 square footage, and a storage building with approximately 1,800 square footage.

15. The larger of the two industrial buildings on the proposed office site contains a 15,000 square foot three-story main/office building with attached 70,000 square foot high-bays and maintenance shop.

16. The proposed office site is readily accessible to two interstate highways and is centrally located within the NKWD service area.

⁷ NKWD's Response to Commission Staff's Interrogatories and Requests for Production of Documents, Item 1.

⁸ Id.

17. A certified general appraiser inspected the proposed office site and appraised the market value of the proposed office site as \$5.6 million as of December 23, 2003.

18. On October 15, 2002, Humpert Wolnitzek Architects issued a report of its assessment of the proposed office site in which it found that the property has sufficient space to meet NKWD's current space usage and its 3- to 5-year space needs. It further found that the site meets NKWD's 20-year expansion needs.⁹

19. NKWD proposes to renovate the proposed office site. Upon completion of the proposed renovations, the largest building on the proposed office site will have approximately 32,000 square feet of office space and 73,000 square feet of warehouse space.¹⁰ The proposed renovations include a large board room, several community rooms and general purpose meeting rooms, on-site parking facilities for 242 vehicles, and a drive-thru for customer payments.

20. The central location of the proposed facility, its access to interstate highways, and the consolidation of all equipment, supplies and inventory at one site should decrease NKWD's response time to emergency and non-emergency service calls. It should also improve the efficiency of utility operations in general.

21. Consolidation of NKWD's existing facilities into one location will likely reduce customer confusion as to the correct location for obtaining service or information from the utility.

⁹ Letter from Lawrence J. Humpert, Humpert Wolnitzek Architects, to Ron Lovan, President/CEO, Northern Kentucky Water District (Oct. 15, 2002). See Application at Exhibit C.

¹⁰ Application at Exhibit I.

22. The proposed facility will contain a drive thru payment window and thus make payment easier for those customers who prefer to make payments at NKWD's office.

23. NKWD has obtained a zoning permit for the proposed construction.

24. Estimated total cost of the purchase and renovation of the proposed office site is \$9.5 million. Approximately \$4.9 million of the total cost is related to the purchase of the office site. The remaining \$4.6 million is related to the cost of the proposed renovation.¹¹

25. NKWD financed the purchase cost of the proposed office site by issuing \$3.66 million in bond anticipation notes.

26. NKWD proposes to finance the cost of renovating the proposed office site through the issuance of bond anticipation notes.

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

28. The proposed facility will not conflict with the existing certificates or service of other utilities operating in the same area and under the Commission's jurisdiction.

29. The public convenience and necessity require the proposed construction.

IT IS THEREFORE ORDERED that:

1. NKWD is granted a Certificate of Public Convenience and Necessity to proceed with the proposed renovation as set forth in its application.

¹¹ Id.

2. NKWD shall obtain approval from the Commission prior to performing any additional construction that is not an ordinary extension in the usual course of business or 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 furnish documentation of the total costs 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 should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

5. NKWD shall require the construction to be inspected under the general supervision of an architect licensed to practice architecture in the state of Kentucky or a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure the construction 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.

6. 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.

Done at Frankfort, Kentucky, this 29th day of April, 2005.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and flourishes, positioned above a horizontal line.

Executive Director

Case No. 2005-00063

Done at Frankfort, Kentucky, this

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director