

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BULLOCK PEN)	
WATER DISTRICT FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	
CONSTRUCT PROPOSED WATERWORKS)	
IMPROVEMENT PROJECT AND FOR)	CASE NO.
APPROVAL OF PROPOSED PLAN OF)	2008-00170
FINANCING, INCREASE IN RATES,)	
NONRECURRING CHARGES, AND TARIFF)	
REVISIONS)	

ORDER

Bullock Pen Water District (“Bullock Pen”) has applied (1) for a Certificate of Public Convenience and Necessity to construct a \$2,614,600 waterworks improvement project; (2) for approval of its plan of financing for this project; (3) for authority to increase its water rates; (4) for authority to increase certain nonrecurring charges; and (5) for approval of the completely revised, comprehensive tariff. Because of filing deficiencies, the Commission did not accept the application for filing until February 18, 2009. Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. Bullock Pen’s proposed waterworks improvement project consists of:¹
 - a. Construction of 10.55 miles of 6- and 8-inch water lines in Kenton County to serve approximately 183 new customers.

¹ Application at 4 filed July 7, 2008.

b. Replacement of 2.2 miles of 6-inch water main along Highway 25 in Grant County with a 12-inch water main to improve flow conditions for water purchased from the Northern Kentucky Water District ("NKWD").

c. Construction of a new pump station in Kenton County to supply water to three tanks.

d. Installation of a new master meter with NKWD.

2. Bullock Pen has requested that the Commission "bifurcate and expedite its review of the District's Application for a Certificate of Public Convenience and Necessity." It states that a delay in the issuance of the Certificate could ultimately result in an increase in the construction costs that will be borne by Bullock Pen's customers.²

3. Total estimated cost of the proposed construction, including engineering and construction costs and contingencies, is \$2,614,600.³

4. Bullock Pen has selected Walter Martin Excavating, Inc. to construct the proposed waterworks improvement project.

5. The proposed waterworks improvement project does not conflict with the existing service of other utilities.

6. CMW, Inc. of Richmond, Kentucky prepared the plans and specifications for the proposed construction.

² Bullock Pen's Request for Expedited Review of Application for Certificate of Public Convenience and Necessity filed Mar. 6, 2009.

³ At Exhibit 6.

7. The Division of Water of the Kentucky Energy and Environment Cabinet has approved the plans and specifications for the proposed construction.⁴

8. Construction of the proposed waterworks improvement project will not result in the wasteful duplication of or excessive investment in utility facilities.

9. Public convenience and necessity require the construction of the proposed waterworks improvement project.

10. Bullock Pen proposes to finance the proposed waterworks improvement project with tap-on fees of \$180,000, a Federally Assisted Drinking Water State Revolving Fund loan of \$2,192,700 to be administered by the Kentucky Infrastructure Authority ("KIA"), and an additional KIA loan of \$241,900.⁵

11. Bullock Pen proposes to enter a loan agreement(s) with KIA for \$2,434,600⁶ to be repaid over a 20-year period at an interest rate of 3 percent per annum.

12. The proposed loan agreements with KIA are for a lawful object within Bullock Pen's corporate purposes, are necessary and appropriate for and consistent with Bullock Pen's proper performance of its service to the public and will not impair Bullock Pen's ability to perform that service, and are reasonably necessary and appropriate for such purpose.

⁴ Bullock Pen's Supplemental Information Response (filed Feb. 18, 2009).

⁵ Application at Exhibit 6.

⁶ \$2,192,700 (Federally Assisted Drinking Water State Revolving Fund loan) + \$241,900 (Additional KIA loan) = \$2,434,600.

13. By subsequent Order in this case, the Commission will address the rates necessary to provide the utility with an opportunity to recover its reasonable operating costs and service its debt. That Order will also address Bullock Pen's proposed changes to its nonrecurring charges and revisions to its tariff.

14. The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that the public convenience and necessity require the construction of the proposed waterworks improvement project.

IT IS THEREFORE ORDERED that:

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

2. Bullock Pen is authorized to enter into a loan agreement(s) with the KIA for an amount not to exceed \$2,434,600 with a term of 20 years at an interest rate of 3 percent per annum.

3. Bullock Pen shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

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

5. Bullock Pen 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 shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

6. Bullock Pen shall file with the Commission 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.

7. Bullock Pen 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.

8. Bullock Pen shall notify the Commission seven days prior to the actual start of construction and at the 50-percent completion point.

9. Bullock Pen shall advise the Commission in writing of the final terms of the loan agreement within 30 days of the execution date.

10. Bullock Pen shall use the proceeds from its proposed loan agreement with KIA only for the purposes set forth in its application.

11. Bullock Pen's application for a rate increase, nonrecurring charge changes, and tariff revisions is continued generally.

12. Nothing in this Order shall be construed as approval of any portion of Bullock Pen's application other than the Certificate and authorization to enter into a loan agreement with the KIA.

Nothing contained herein shall be deemed a warranty or guarantee of the Commonwealth of Kentucky, or any agency thereof, of the evidences of indebtedness authorized herein.

By the Commission

ENTERED
APR 15 2009 *M*
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

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