

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ADAIR COUNTY WATER)
DISTRICT FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY)
AUTHORIZING CONSTRUCTION OF MAJOR) CASE NO. 2011-00127
ADDITIONS AND IMPROVEMENTS TO ITS)
WATER DISTRIBUTION SYSTEM PURSUANT)
TO THE PROVISIONS OF KRS 278.020(1) AND)
807 KAR 5:001)

ORDER

Adair County Water District ("Adair District") has applied for a Certificate of Public Convenience and Necessity to construct a hydraulic improvement project.¹ Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. Adair District proposes to construct a hydraulic improvement project that consists of approximately 33,400 linear feet of 12-inch ductile iron water main; 4,800 linear feet of 8-inch ductile iron water main; 200 linear feet of 6-inch ductile iron water main; 12,100 linear feet of polyvinylchloride ("PVC") water main; 5,700 linear feet of 6-

¹ Adair District filed its application with the Commission on April 7, 2011 and requested expedited review to enable its final action on construction bids. While the Commission has accommodated Adair District's request in this instance, we note that the water district originally received the bids on December 16, 2010 and that its engineer made final recommendations on the bids on December 20, 2010. In the future, we expect Adair District to allow for additional time in its planning processes to permit the Commission adequate time to conduct our review.

inch PVC water main; 600 linear feet of 3-inch PVC water main; a booster pump station; a 750,000 gallon elevated water tank; and related appurtenances.

2. Adair District proposes to construct a water transmission main from its existing 1,000,000 gallon water storage tank, which is located near the intersection of Kentucky Highway 61 and the Cumberland Parkway, along Kentucky Highway 61 to the intersection of Kentucky Highway 61 and Kentucky Highway 768, where the proposed 750,000 gallon elevated water storage tank will be constructed.

3. The proposed project is intended to increase water supply and water pressures in the southern portion of Adair District's territory. Customer growth in this area and the limited storage capacity have resulted in decreasing water pressures that are near regulatory minimums.

4. Total construction cost of the proposed water transmission main and pump station project is \$2,045,000.

5. Total construction cost of the proposed elevated water storage tank is \$1,238,000.

6. Total project cost, including contingencies, engineering design, legal and administrative costs, is estimated to be \$4,034,000.

7. Adair District proposes to finance the proposed project with a \$4.0 million loan from the Kentucky Infrastructure Authority ("KIA") and internally generated funds of \$34,000.

8. KIA has approved a loan of \$4.0 million to be repaid over a 20-year period at an interest rate of one percent. Prior to the execution of an assistance agreement

with KIA, which must be executed no later than July 6, 2011, and the disbursement of the loan funds, Adair District will obtain interim financing for the proposed project.

9. Monarch Engineering, Inc. of Lawrenceburg, Kentucky prepared the drawings and specifications for the proposed project.

10. The Division of Water of the Kentucky Environmental and Public Protection Cabinet has approved the plans and specifications for the proposed project.

11. The proposed project will not result in the wasteful duplication of existing utility facilities.

12. The proposed project will not conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the Commission that are in the general area in which the utility renders service or contiguous thereto.

13. The public convenience and necessity require construction of the proposed improvements.

IT IS THEREFORE ORDERED that:

1. Adair District is granted a Certificate of Public Convenience and Necessity to construct the proposed facilities set forth in its application.

2. Adair District shall obtain the approval of the Commission prior to performing any additional construction not expressly authorized by this Order.

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

4. Adair District shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs, including, but not limited to, engineering, legal, and administrative expenses, within 60 days of

the date 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.

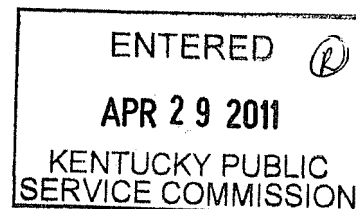
5. Adair District shall file with the Commission a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

6. Adair District 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 completed in accordance with the contract drawings and specifications, and in conformance with the best practices of the construction trades involved in the project.

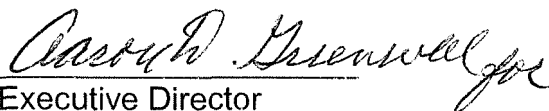
7. Adair District shall not enter into any loan agreement with KIA or any other lender without first complying with KRS 278.300.

8. Any documents filed with the Commission pursuant to ordering paragraphs 4 and 5 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission



ATTEST:


Executive Director

Case No. 2011-00127

Honorable Damon R Talley
Attorney at Law
P.O. Box 150
Hodgenville, KENTUCKY 42748-0150