

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE MADISON COUNTY)	
UTILITIES DISTRICT FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	CASE NO. 2012-00020
CONSTRUCT AND FINANCE A WATER LINES)	
REPLACEMENT PROJECT)	

ORDER

Madison County Utilities District (“Madison District”) has applied for a Certificate of Public Convenience and Necessity for a water system rehabilitation project at an approximate total project cost of \$940,225 and for authority to execute an Assistance Agreement with the Kentucky Infrastructure Authority (“KIA”) to finance the proposed project’s cost. Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. Madison District, a water district organized pursuant to KRS Chapter 74, owns and operates water distribution facilities that serve approximately 11,106 customers in Madison County, Kentucky.¹

2. Madison District proposes to replace 23,800 linear feet of 4-inch ductile iron water main with 12,000 linear feet of 6-inch polyvinylchloride (“PVC”) water main and 11,800 linear feet of 8-inch PVC main, to replace 400 linear feet of 6-inch ductile iron water main with 400 linear feet of 6-inch PVC water main, to replace 195 linear feet

¹ Annual Report of Madison County Utility District to the Public Service Commission for the Calendar Year Ended December 31, 2010 at 5, 27.

of 4-inch ductile iron water main with 12-inch PVC water main, and to construct several related appurtenances.

3. The proposed project is necessary to replace deteriorating ductile iron water mains that are located in highly acidic soil. Replacement of these mains is expected to reduce Madison District's water loss and improve water flows to the Bybee and Waco areas of Madison County.

4. The estimated total cost of the proposed project, including construction cost, contingencies, engineering and inspection fees, is \$940,225.

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

6. The Division of Water of the Kentucky Energy and Environment Cabinet has approved the plans and specifications for the proposed project.

7. The proposed project will not compete or conflict with the facilities of other jurisdictional utilities operating in the same area.

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

9. Madison District proposes to enter into an Assistance Agreement with KIA to borrow \$940,255 and to repay this amount over a 20-year term at an interest rate of 2.0 percent per annum.

10. The proposed Assistance Agreement with KIA is for lawful objects within Madison District's corporate purpose, is necessary, appropriate for and consistent with the proper performance of Madison District's service to the public, will not impair

Madison District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

11. Madison District has requested a deviation from 807 KAR 5:001, Section 11(2)(a), which requires the filing of a financial exhibit covering "operations for a twelve (12) month period . . . ending not more than ninety (90) days prior to the date the application is filed." It has provided its financial statements for calendar year 2010 and represents that there has been no change that is material in nature in its financial condition or operation since the publication of these statements.

12. Madison District has demonstrated good cause to permit its deviation from 807 KAR 5:001, Section 11(2)(a).

IT IS THEREFORE ORDERED that:

1. Madison District's request for deviation from 807 KAR 5:001, Section 11(2)(a), is granted.

2. Madison District's application is considered filed as of February 8, 2012.

3. Madison District is granted a Certificate of Public Convenience and Necessity to proceed with the proposed water system rehabilitation project as set forth in the plans and specifications filed with the Commission in this case.

4. Madison District shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

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

6. Madison District 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.

7. Madison 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 substantial completion of the construction certificated herein.

8. Madison District shall require the 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.

9. Madison District is authorized to enter the proposed Assistance Agreement with KIA and, under the terms of that Agreement, to borrow from KIA an amount not to exceed \$940,225, which shall be repaid over a 20-year period at an interest rate of 2.0 percent per annum.

10. Within 30 days of executing its proposed Assistance Agreement with KIA, Madison 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 Madison District's application.

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

12. Any documents filed pursuant to ordering paragraphs 4, 6, 7, and 10 shall reference this case number and shall be retained in the utility's general correspondence file.

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 <i>DA</i>
FEB 21 2012
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2012-00020

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