

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF U.S. 60 WATER	)	
DISTRICT OF SHELBY AND FRANKLIN	)	
COUNTIES, KENTUCKY FOR A CERTIFICATE	)	CASE NO.
OF PUBLIC CONVENIENCE AND NECESSITY	)	2014-00101
TO CONSTRUCT PURSUANT TO THE	)	
PROVISIONS OF KRS 278.020 AND KRS	)	
278.0300	)	

ORDER

U.S. 60 Water District of Shelby and Franklin Counties (“U.S. 60”) has applied for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a water works construction project and for approval of its plan to finance the proposed project.

Having reviewed the application and being otherwise sufficiently advised,<sup>1</sup> the Commission finds that:

1. U.S. 60, a water district organized under KRS Chapter 74, owns and operates facilities that provide retail water service to approximately 2,395 customers in Anderson, Franklin, Shelby, and Spencer counties, Kentucky.<sup>2</sup>

2. U.S. 60 proposes to construct a 750,000-gallon elevated water storage tank and approximately 1,133 linear feet of 12-inch ductile iron pipe water main and appurtenances.

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<sup>1</sup> U.S. 60’s initial application, which was received on March 24, 2014, was considered filed with the Commission on April 8, 2014. No person has sought intervention in this matter. U.S. 60 has not requested a hearing in this matter. The Commission has received no requests for hearing and finds the record complete.

<sup>2</sup> *Annual Report of U.S. 60 Water District of Shelby and Franklin Counties to the Kentucky Public Service Commission for the Year Ended December 31, 2013* at 5 and 27.

3. U.S. 60 currently has a total nominal water storage volume of 606,367 gallons and total effective storage of 309,440 gallons.<sup>3</sup> U.S. 60's storage volume is impacted by its use of standpipes, which provide limited effective storage.

4. U.S. 60 is currently served by one elevated storage tank with a 200,000-gallon nominal and effective capacity and three standpipes with varying capacities.<sup>4</sup>

5. U.S. 60 intends to retire its Clay Village and Peytona standpipes, which are at the end of their useful lives.<sup>5</sup> The standpipes have nominal volumes of 97,167 and 132,200 gallons respectively.<sup>6</sup> The tanks have effective volumes of 7,773 and 40,982 gallons.<sup>7</sup> U.S. 60 is able to effectively utilize only the volume above the level that provides pressure in excess of 30 pounds per square inch, which in the Clay Village standpipe is only the capacity above 69 feet in the 75-foot tank.<sup>8</sup> After decommissioning the aforesaid two standpipes, U.S. 60 will have one remaining standpipe, the Waddy standpipe, which has a nominal volume of 177,000 gallons and an effective volume of 60,685 gallons.

6. Subsequent to retiring the Clay Village and Peytona standpipes, U.S. 60 will have a total effective storage volume of 260,685 gallons.<sup>9</sup>

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<sup>3</sup> U.S. 60's Response to Staff's Second Request for Information at Item 5, filed May 19, 2014.

<sup>4</sup> *Id.*, Item 3.

<sup>5</sup> Application, ¶ 3.

<sup>6</sup> U.S. 60's Response to Staff's Second Request for Information at Item 5, filed May 19, 2014.

<sup>6</sup> *Id.*, Item 3.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*, Item 6.

<sup>9</sup> *Id.*, Item 3.

7. For the calendar year ending 2013, U.S. 60 purchased a total of 160,418,000 gallons, which is equivalent to an average daily consumption of 439,502 gallons.<sup>10</sup> U.S. 60 also estimates a need for 60,000 gallons of storage capacity for fire protection.<sup>11</sup>

8. 807 KAR 5:066 Section 4(4) requires a water utility to maintain a minimum storage capacity equal to the utility's average daily consumption.

9. Absent additional storage capacity, U.S. 60 will be unable to meet the water storage requirements of 807 KAR 5:066 Section 4(4). The proposed tank will provide U.S. 60 with adequate storage volume to serve its existing customers and future customer growth in its system. U.S. 60 asserts that its long-term future customer growth has been consistent at an approximate average annual rate of 4 percent based on U.S. 60's historical annual customer growth information collected since 1983.<sup>12</sup> U.S. 60 asserts that, based upon the estimated 4 percent annual growth rate, the proposed tank will provide adequate system storage over the 20-year period in which the project will be financed.<sup>13</sup> The 1,133 linear feet of 12-inch ductile iron pipe water main will connect the existing system to the proposed water tank.<sup>14</sup> There are no new customers added as a result of this project.<sup>15</sup>

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<sup>10</sup> *Annual Report of U.S. 60 Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2013* at 29.

<sup>11</sup> U.S. 60's Response to Staff's Second Request for Information at Item 6.c., filed May 19, 2014.

<sup>12</sup> *Id.*, Item 9.

<sup>13</sup> *Id.*, Item 15.

<sup>14</sup> Application, ¶ 3.

<sup>15</sup> US 60, Peytona Tank, Final Engineering Report, Application at Exhibit 13.

10. Total cost of the proposed project, including construction cost, legal counsel cost, engineering design cost, construction inspection cost, and contingency cost, is approximately \$1,700,000.<sup>16</sup>

11. Warner A. Broughman III & Associates of Lexington, Kentucky prepared the plans and specifications for the proposed project.

12. The Kentucky Division of Water ("KDOW") has approved the plans and specifications for the proposed project.<sup>17</sup>

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

14. The proposed construction does not conflict with any existing certificates or the service of any other utility operating in the area.

15. Public convenience and necessity require the proposed construction, which will allow U.S. 60 to continue to provide reliable and adequate water service to its customers and to remain in compliance with the water storage requirements set forth in 807 KAR 5:066, Section 4(4) for an estimated period of 20 years.

16. U.S. 60 intends to finance the proposed construction project with \$400,000 of its internally generated funds and a State Revolving Fund Loan from the Kentucky Infrastructure Authority ("KIA") in the amount of \$1,300,000.<sup>18</sup>

17. On September 5, 2013, the KIA approved a loan of \$1,300,000 from the Drinking Water State Revolving Fund to finance the proposed project. KIA offered to

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<sup>16</sup> *Id.*

<sup>17</sup> Letter from Mark Rasche, Professional Engineer, Supervisor, Engineering Section, Water Infrastructure Branch, KDOW, to Bill Eggen, US 60 Water District (March 3, 2014). Application at Exhibit 14.

<sup>18</sup> Application, ¶ 10.

provide a loan to be repaid over a 20-year term at an interest rate of 1.75 percent per annum.<sup>19</sup>

18. KIA has placed as a condition to the loan that U.S. 60 is to execute an Assistance Agreement with KIA no later than September 6, 2014.

19. U.S. 60's failure to execute the proposed Assistance Agreement with KIA by September 6, 2014, will result in the rescission of KIA's commitment to fund the said projects.

20. The proposed Assistance Agreement with KIA is for lawful objects within U.S. 60's corporate purpose, is necessary, appropriate for and consistent with the proper performance of U.S. 60's service to the public, will not impair U.S. 60's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. U.S. 60 is granted a CPCN to proceed with the proposed construction as set forth in its Application.

2. U.S. 60 shall notify the Commission prior to performing any additional construction 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. U.S. 60 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) within 60 days of the date that construction is

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<sup>19</sup> Letter from Tammy J. McCall, Financial Analyst, Kentucky Infrastructure Authority to Bill Eggen, Chairman, US 60 Water District (September 6, 2013), Application at Exhibit 5.

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. U.S. 60 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.

6. U.S. 60 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 done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

7. U.S. 60 is authorized to enter the proposed Assistance Agreement with KIA and, under the terms of that Agreement, to borrow from the KIA an amount not to exceed \$1,300,000 to be repaid over a 20-year period at an interest rate of 1.75 percent per annum.

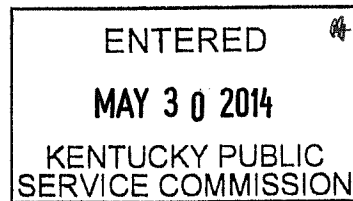
8. Within 30 days of executing its proposed Assistance Agreement with KIA, U.S. 60 shall file with the Commission an executed copy of the Assistance Agreement.

9. U.S. 60 shall use the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its Application. None of the proceeds, however, shall be used for the construction of any other project except improvements as clearly identified in U.S. 60's Application in this proceeding unless and until U.S. 60 is granted a CPCN to construct such improvements.

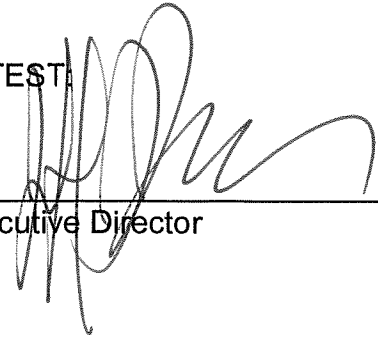
10. Any documents filed in the future pursuant to ordering paragraphs 2, 4, 5, and 8 shall reference this case number and shall be retained in the utility's general correspondence file.

11. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon U.S. 60's showing of good cause for such extension.

By the Commission



ATTEST:

  
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Executive Director

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