

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF U.S. 60 WATER)	
DISTRICT OF SHELBY AND FRANKLIN COUNTIES)	
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)	CASE NO.
AND NECESSITY TO CONSTRUCT AND FINANCE)	2016-00323
PURSUANT TO KRS 278.020 AND KRS 278.300)	

ORDER

U. S. 60 Water District of Shelby and Franklin Counties ("US 60 District") has applied for a Certificate of Public Convenience and Necessity ("CPCN") to construct a waterworks construction project, consisting of extensions, additions and improvements to its existing waterworks system and for approval of financing of the proposed project.

US 60 District filed an application for a CPCN on September 28, 2016. The application was accepted for filing on this date. No person has sought intervention in this matter, and US 60 District has not requested a hearing. The record for this case is complete.

US 60 District, a water district organized under KRS Chapter 74, provides retail water service to approximately 2,408 customers in Shelby and Franklin counties.¹ US 60 District purchases water from the Frankfort Municipal Water & Plant Board ("Frankfort"),² which utilizes the Kentucky River as its source of water supply.

¹ *Annual Report of U.S. 60 Water District of Shelby and Franklin Counties Report to the Kentucky Public Service Commission for the Year Ended December 31, 2015 at 19 and 53.*

² Application at 1.

US 60 District requests a CPCN for the construction of approximately 26,074 linear feet of 12-inch ductile iron pipeline to connect with a new, additional supplier of water, Shelbyville Municipal Water & Sewer Commission ("Shelbyville"). The new line will run parallel to an existing 3-inch line which currently allows US 60 District to purchase limited quantities of water from Shelbyville during emergencies. The project also includes a variable-speed drive booster pump station and seven fire hydrants. At the completion of the project, US 60 District will have two different wholesale water suppliers to provide service to its customers.³ US 60 District entered into a contract, dated October 12, 2015, and on file with the Commission, authorizing US 60 District to purchase a portion of its water supply from Shelbyville at a rate that is currently lower than the rate for water purchased from Frankfort.

The total cost of the proposed project, including administrative, legal, engineering, construction, and contingencies, is approximately \$2.3 million. This project is to be financed with a \$2.3 million loan from the Kentucky Infrastructure Authority ("KIA") Revolving Loan Fund (Fund B) loan B15-007. The KIA Loan is to be repaid over a 20-year term at an interest rate of 1.75 percent per annum, with a loan-servicing fee of 0.20 percent of the annual outstanding loan balance payable to KIA with each interest payment. US 60 District received a one-year Conditional Commitment from KIA for this loan on June 9, 2015.⁴ This one-year Conditional

³ *Id.*

⁴ *Id.*, Exhibit 2, KIA letter dated June 9, 2015.

Commitment was extended for six months with a new expiration date of December 9, 2016.⁵

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

The Kentucky Division of Water (“KDOW”) approved the plans and specifications of the proposed project on October 28, 2016.⁶

US 60 District filed the Kentucky Transportation Cabinet’s (KTC) Encroachment Permit on November 1, 2016.⁷

US 60 District states that the proposed improvements will ensure that it has two different wholesale suppliers including Shelbyville, which is itself constructing a connection to the Louisville Water Company, which has a virtually unlimited water supply by virtue of its treatment system capacity and its access to the Ohio River raw water supply source.⁸

Having reviewed the record and being sufficiently advised, the Commission finds that:

1. The record for this case is complete.

⁵ *Id.*, Exhibit 2, KIA letter dated June 23, 2016.

⁶ KDOW letter filed on November 2, 2016.

⁷ KTC permit filed on November 1, 2016.

⁸ Application at 1.

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

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

4. Public convenience and necessity require the proposed construction, which allows US 60 District to provide reliable and adequate water services to its customers.

5. KDOW has approved the plans and specifications for this proposed project.

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

7. US 60 District should be authorized to utilize \$2.3 million of the Assistance Agreement on the project approved herein.

IT IS THEREFORE ORDERED that:

1. US 60 District is granted a CPCN to proceed with the proposed construction as set forth in its application.

2. US 60 District shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

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

4. US 60 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 done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

5. US 60 District is authorized to enter the proposed Assistance Agreement with KIA and, under the terms of the Assistance Agreement, to borrow from KIA an amount not to exceed \$2,300,000 to be repaid over a 20-year period at an interest rate of 1.75 percent per annum with a loan-servicing fee of 0.20 percent of the annual outstanding loan balance payable to KIA with each interest payment.

6. Within 30 days of executing its proposed Assistance Agreement with KIA, US 60 District shall file with the Commission an executed copy of the Assistance Agreement. US 60 District shall use \$2,300,000 of the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its application. None of the proceeds shall be used for the construction of any project not clearly identified in US 60 District's Application and approved by the Commission in this proceeding, unless and until US 60 District obtains prior Commission approval for the use of the proceeds.

7. US 60 District 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, etc.) within 60 days of the date that construction authorized under this CPCN 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.

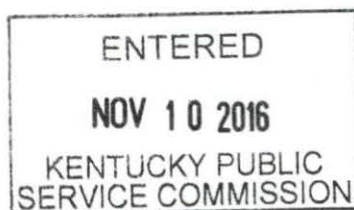
8. US 60 District shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

9. Any documents filed in the future pursuant to ordering paragraphs 2, 6, 7, and 8 shall reference this case number and shall be retained in the post-case correspondence file.

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

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

By the Commission



ATTEST:


Executive Director

*Donald T Prather
Mathis, Riggs, Prather & Ratliff, P.S.C Attorneys at
500 Main Street, Suite 5
Shelbyville, KENTUCKY 40065

*U. S. 60 Water District of Shelby and Franklin
4596 Bagdad Road
P. O. Box 97
Bagdad, KY 40003

*Paula McClain
Mathis, Riggs, Prather & Ratliff, P.S.C Attorneys at
500 Main Street, Suite 5
Shelbyville, KENTUCKY 40065