

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LAUREL COUNTY WATER)	
DISTRICT #2 FOR THE ISSUANCE OF A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY TO CONSTRUCT A WATER)	CASE NO.
SYSTEM IMPROVEMENTS PROJECT)	2019-00221
AND AN ORDER AUTHORIZING THE ISSUANCE)	
OF SECURITIES PURSUANT TO THE PROVISIONS)	
OF KRS 278.020, KRS 278.300, AND 807 KAR 5:001)	

ORDER

On June 25, 2019, Laurel County Water District #2 (Laurel District #2) filed, pursuant to KRS 278.020(1) and KRS 278.300, an application (Application) for the issuance of a Certificate of Public Convenience and Necessity (CPCN) to construct a new water storage tank. Laurel District #2 proposes to finance the project by (1) requesting approval to borrow up to \$445,000 from the Kentucky Infrastructure Authority (KIA); (2) a U.S. Army Corps of Engineers (USACE) Section 531 grant in the amount of \$1,300,000; (3) a \$300,000 grant from the London-Laurel County Industrial Development Authority (IDA); and (4) a contribution from Laurel District #2 in the amount of \$105,000.

Laurel District #2, a water district organized under KRS chapter 74, provides retail service to approximately 6,017 customers in Knox and Laurel counties, Kentucky.¹

¹ *Annual Report for Laurel County Water District #2 for Year Ending December 31, 2017*, at 48.

The Commission notes that in 2017, Laurel District #2 reported a water loss of 13.2365 percent.²

Commission Staff issued and Laurel District #2 responded to one request for information, and there have been no requests to intervene in this case.

Laurel District #2 is requesting a CPCN to construct a new 500,000-gallon water storage tank within the Greer Industrial Park. The proposed water storage tank will be located in the northern portion of Laurel District #2's service area and will address Laurel's District's inadequate storage capacity caused by gains in residential development and the development of two new industrial parks. The new water tank will also address redundancy issues and allow Laurel District #2 to maintain normal service when maintenance and rehabilitation activities are required at the other existing tank in the area.³

The Kentucky Division of Water reviewed and approved the sanitary features and specifications of the proposed water tank. The Kentucky Airport Zoning Commission issued an approval for a permit for construction, and the Federal Aviation Authority has issued a Determination of No Hazard to Air Navigation.⁴

The total capital cost of the proposed project is approximately \$2,150,000.⁵ Laurel District #2 states that it will finance the proposed project with a \$445,000 loan from KIA and with \$1,705,000 in grants and contributions as specified above. The proposed loan will be repaid over a period not to exceed 30 years from the last draw of funds and shall

² *Id.* at 56.

³ Application, Exhibit A.

⁴ Application, Exhibit B.

⁵ Application, Exhibit D.

bear interest at the rate of 0.50 percent per annum commencing with the first draw of funds.⁶

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

1. The proposed construction will not result in wasteful duplication of existing facilities.
2. The proposed construction does not conflict with any existing certificates or service of any other utility operating in the area.
3. Public convenience and necessity require the proposed construction, which will allow Laurel District #2 to provide reliable and adequate water service to its customers.
4. KDOW has approved the plans and specifications for this proposed project.
5. The proposed loan with KIA is necessary and appropriate for and consistent with, the proper performance of Laurel District #2's service to the public, will not impair Laurel District #2's ability to perform that service, and is reasonably necessary and appropriate for such purpose.
6. The project will be funded by KIA Fund B Loan of \$445,000 and \$1,705,000 of grants and contributions.
7. Laurel District #2 should be authorized to utilize \$445,000 of the Assistance Agreement on the project approved herein.
8. Laurel District #2's Application does not include a proposal to adjust rates.

⁶ Application, Exhibit C.

IT IS THEREFORE ORDERED that:

1. Laurel District #2 is granted a CPCN to construct the proposed project as set forth in its Application.

2. Laurel District #2's proposed plan for financing is approved.

3. Laurel District #2 shall obtain approval from the Commission prior to performing any additional construction not expressly approved by this Order.

4. Laurel District #2 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. Laurel District #2 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 \$445,000 to be repaid over a 30-year period from the date of the last draw of funds at the rate of 0.50 percent per annum.

6. The proceeds from the promissory note shall be used only for the purposes specified in Laurel District #2's Application.

7. Laurel District #2 is authorized to obtain a USACE Section 531 grant in the amount of \$1,300,000.

8. Laurel District #2 is authorized to obtain a \$300,000 grant from the London-Laurel County Industrial Development Authority.

9. Laurel District #2 shall file with the Commission documentation of the total cost of the project, 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.

10. Laurel District #2 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 authorized under this CPCN.

11. Any documents filed in the future pursuant to ordering paragraphs 3, 10, and 11 shall reference this case number and shall be retained in the post-case correspondence file.

12. The Executive Director is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon Laurel District #2’s showing of good cause for such extension.

13. This case is closed and removed from the Commission’s Docket.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

By the Commission

ENTERED
AUG 23 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2019-00221

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