

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WEST CARROLL WATER)
DISTRICT FOR APPROVAL OF INTERLOCAL)
AGREEMENTS AND FOR AUTHORITY TO) CASE NO. 2014-00053
AUTHORIZE THE EXECUTION OF A NOTE)
FOR THIS PROJECT)

ORDER

On February 19, 2014, West Carroll Water District (“WCWD”) applied to the Commission for approval to enter into an Intergovernmental Agreement with the city of Carrollton (“City”), in conjunction with a regional project to be funded by the Kentucky Infrastructure Authority (“KIA”) and for authority to incur indebtedness for WCWD’s proportionate share of construction costs required for this project not to exceed \$76,302 (“Original Application”). WCWD further stated that no Certificate of Public Convenience and Necessity (“CPCN”) is needed because the facilities it will finance by the indebtedness do not involve “new construction” and will result in no new water customers. On March 31, 2014, WCWD filed an amended application, (“Amended Application”) revising paragraph 5 to state that the proposed financing for the project is for a term of 30 years rather than the 20 years as stated in the Original Application. WCWD filed an Amended and Restated Intergovernmental Agreement with the Amended Application.

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

1. WCWD, a water district organized pursuant to KRS Chapter 74, owns a water distribution system that serves approximately 982 customers in the Kentucky counties of Carroll, Henry, and Trimble.¹

2. The City, by and through its municipally owned utility system, Carrollton Utilities, currently operates and maintains WCWD's distribution system.²

3. The City has applied to KIA for a loan to finance several water infrastructure improvements. Under the terms of the proposed loan, the City will borrow \$1,538,817 and will repay \$1,154,113 of this principal amount over a 30-year period at 0.75 percent interest per annum. The remaining principal amount, approximately 25 percent of the total loan amount, will be forgiven.³

4. The proceeds from the KIA loan will finance the water infrastructure improvements for the City, Carroll County Water District #1 ("CCWD"), and WCWD's proposed project that consists of constructing a booster pump station and 1,700 linear feet of water line to tie discrete sections of its system together.⁴

5. The total cost of WCWD's proposed water project is \$76,302.⁵

¹ *Annual Report of West Carroll Water District to the Kentucky Public Service Commission for the Calendar Year Ending December 31, 2012* at 5, 27.

² See <http://www.carrolltonutilities.com> (last visited Apr. 4, 2014).

³ The City's project is identified in the Water Resource Information System as Project Number WX21041001. For a description of the proposed project, see <http://wris.ky.gov/Portal/DwPriData/WX21041001> (last visited Apr. 4, 2014). On May 2, 2013, KIA considered and approved the City's application for funding. See Kentucky Infrastructure Authority, Board Meeting Booklet for May 2, 2013 at 55-66, <http://kia.ky.gov/NR/rdonlyres/7F517412-947F-46A6-8042-49001438C23/0/draftkiaboardbook050213.pdf> (last visited Apr. 4, 2014).

⁴ Original Application at 3. For a detailed description of the proposed water infrastructure improvements, see <http://www.carrolltonutilities.com/news.html> (last visited Apr. 4, 2014). See also <http://wris.ky.gov/Portal/DwPriData/WX21041001> (last visited Apr. 4, 2014).

⁵ Original Application at 3.

6. Based on a review of WCWD's most recent Annual Report, which is for 2012, WCWD has gross plant in service of approximately \$4.5 million and net plant in service of approximately \$2.2 million. Considering the amount of financing proposed herein and the nature of the facilities proposed, the Commission finds that while there will be new construction, the facilities are properly classified under 807 KAR 5:001, Section 15(3), as an extension in the ordinary course of business and that no CPCN is needed.

7. WCWD intends to finance its proposed water project with \$76,302 of the proceeds from the City's loan with KIA. Based upon KIA's stated intent to forgive 25 percent of the City's proposed loan, WCWD will assume responsibility of \$57,227 of the remaining principal of \$1,154,113.

8. On March 10, 2014, the City and WCWD executed an Amended and Restated Intergovernmental Agreement⁶ that provides:

a. The City and WCWD will jointly apply to KIA for funding of their proposed water infrastructure improvements as a regional water project.

b. These improvements will be divided into separate construction contracts with the City, CCWD, and WCWD determining the nature and the scope of the project as it affects their respective water system.

c. The City, CCWD, and WCWD will jointly select one engineering firm to handle all of the proposed improvements.

⁶ Amended Application, Ex. 6.

~~d.~~ The City will apply to KIA for a loan of \$1,538,817 to be paid over a 30-year period at an interest rate of 0.75 percent per annum and subject to 25 percent principal forgiveness.

e. Loan proceeds from KIA will be used by the City, CCWD, and WCWD to fund their proposed infrastructure improvements, with the funding to be allocated among multiple construction contracts in accordance with actual expenses incurred for construction on each contract pro rata, with a similar percentage assigned to each entity for the cost of engineering services, which cost is also to be divided on a pro rata basis.

f. WCWD's pro rata share of the cost of the proposed improvements is estimated at \$76,302.

g. WCWD will pay to the City a semi-annual payment for a period equal to the years of the debt incurred by the City. Said payments are to cover WCWD's proportionate share of the final debt service for its portion of the project, with payments to begin on the same year that the City is required to begin paying the debt following construction of the project.

h. The Amended and Restated Intergovernmental Agreement will become effective upon approval by the Commission.

9. WCWD will sign an unsecured promissory note to the City for payment of its proportionate share of the funding and expenses ("the Note").

10. The proposed Amended and Restated Intergovernmental Agreement and the Note constitute evidences of indebtedness.

11. KRS 278.300(1) requires a utility to obtain Commission authorization prior to the issuance of any evidence of indebtedness.

12. WCWD's entry into the proposed Amended and Restated Intergovernmental Agreement and issuance of an unsecured promissory note are for a lawful object within its corporate purpose, are reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair WCWD's ability to perform that service, and are reasonably necessary and appropriate for such purpose.

13. WCWD has shown good cause to amend its application to state that the Intergovernmental Agreement will be for a term of 30 years and to file the Amended and Restated Intergovernmental Agreement.

14. No determination is made in this Order regarding the need for or reasonableness of WCWD's proposed water infrastructure improvements.

IT IS THEREFORE ORDERED that:

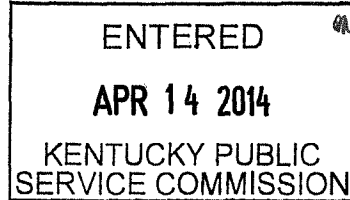
1. WCWD's request to amend its application to state that the KIA funding is for a term of 30 years and to file an Amended and Restated Intergovernmental Agreement is granted.

2. WCWD is authorized to enter into the proposed Amended and Restated Intergovernmental Agreement with the City and to issue the Note to the City.

3. The portion of the proceeds from the City's loan from KIA for which WCWD has agreed to assume payment responsibility as a result of the proposed Amended and Restated Intergovernmental Agreement shall be used only for the lawful purposes set out in the Application.

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

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned over a horizontal line.

Case No. 2014-00053

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