

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CARROLL COUNTY)
WATER DISTRICT # 1 FOR APPROVAL OF) CASE NO.
INTERLOCAL AGREEMENTS AND FOR) 2014-00174
AUTHORITY TO INCUR DEBT)

ORDER

Carroll County Water District #1 ("CCWD") has applied to the Commission for approval to enter into an Intergovernmental Agreement with the city of Carrollton ("the City"), in conjunction with a regional project to be funded by the Kentucky Infrastructure Authority ("KIA"), and for authority to incur indebtedness for its proportionate share of construction costs required for this project, not to exceed \$224,685.

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

1. CCWD, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water to approximately 3,000 customers in the Kentucky counties of Carroll, Gallatin, and Owen.¹

2. 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

¹ Annual Report of West Carroll Water District to the Kentucky Public Service Commission for the Calendar Year Ending December 31, 2013, at 13, 53.

an interest rate of 0.75 percent interest per annum. The remaining principal amount, approximately 25 percent of the total loan amount, will be forgiven.²

3. The proceeds from the KIA loan will finance the water infrastructure improvements for the City, West Carroll Water District ("WCWD"), and CCWD's proposed project that consists of constructing two emergency backup connections to the City and increasing in size the existing water main located along KY 1039.³

4. The total cost of CCWD's proposed water project is \$224,685.⁴

5. Based on a review of CCWD's 2013 Annual Report, CCWD has gross utility plant of approximately \$15.9 million and net utility plant of approximately \$10.3 million. Considering the amount of financing proposed herein and the nature of the facilities proposed, the Commission finds 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 Certificate of Public Convenience and Necessity is required.

6. CCWD intends to finance its proposed water project with \$224,685 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, CCWD will assume responsibility of \$168,514 of the remaining principal of \$1,154,113.

² Application, Ex. 1, pp. 1-2.

³ Application at p. 2.

⁴ *Id.* at p. 1.

7. On March 10, 2014, the City and CCWD executed an Intergovernmental Agreement⁵ that provides:

a. They will jointly apply for funding through KIA for 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 each improvement as it affects their respective water systems.

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

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 being allocated between 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. CCWD's pro rata share of the cost of the proposed improvements is estimated at \$224,685.

g. CCWD will pay to the City a semi-annual payment for a period equal to the years of the debt incurred by the City to cover CCWD's proportionate share

⁵ Application, Ex. 2.

of the final debt service for its portion of the project with said payments to begin on the same year as the City is required to begin making payments to KIA.

h. The Intergovernmental Agreement will become effective upon Commission approval of the Intergovernmental Agreement and the Commission's issuance of a Certificate of Public Convenience and Necessity for CCWD's proposed improvements, if required. As noted above in paragraph 5, a Certificate of Public Convenience and Necessity is not required, therefore, the Intergovernmental Agreement will become effective upon entry of this Order.

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

9. The proposed Intergovernmental Agreement and the Note constitute evidences of indebtedness.

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

11. CCWD's entry into the proposed Intergovernmental Agreement is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair CCWD's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

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

IT IS THEREFORE ORDERED that:

1. CCWD is authorized to enter into the proposed Intergovernmental Agreement with the City and to issue the Note to the City.

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

3. CCWD 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, and administrative) within 60 days of the date that construction is substantially completed. Construction cost shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

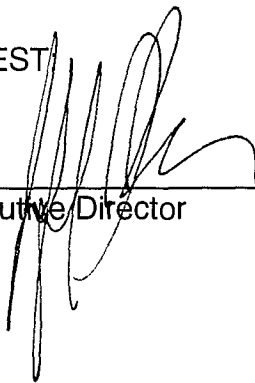
4. Any documents filed in the future pursuant to ordering paragraph 3 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

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

ENTERED
JUL 21 2014
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST



Executive Director