

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CUMBERLAND COUNTY)	
WATER DISTRICT FOR THE ISSUANCE OF A)	CASE NO.
CERTIFICATE OF PUBLIC CONVENIENCE AND)	2015-00197
NECESSITY TO CONSTRUCT A WATERWORKS)	
IMPROVEMENTS PROJECT AND AUTHORIZING)	
THE ISSUANCE OF SECURITIES FOR THE)	
PURPOSE OF FINANCING SAID PROJECT)	
PURSUANT TO THE PROVISIONS OF KRS)	
278.300 AND 807 KAR 5:001)	

ORDER

Cumberland County Water District (“Cumberland District”) has applied for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a waterworks improvements project and for approval of its plan to finance the proposed project.

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

1. Cumberland District, a water district organized under KRS Chapter 74, owns and operates water treatment and distribution facilities that serve approximately 2,449 customers in Cumberland County, Kentucky.¹

2. Cumberland District’s initial application, which was received on June 16, 2015, was supplemented and accepted as filed with the Commission on July 2, 2015. No person has sought intervention in this matter. Cumberland District has not requested a hearing in this matter and the Commission finds the record complete.

¹ *Annual Report of Cumberland County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2014* at 12 and 53.

3. Contract 1 of Cumberland District's proposed project consists of the installation of approximately 3,150 linear feet of 6-inch polyvinyl chloride ("PVC") water line to replace an existing asbestos cement water line, the installation of approximately 37,250 linear feet of 3-inch and 4-inch PVC water lines to replace existing undersized 2-inch PVC water lines, and the complete rehabilitation of two existing booster pump stations on KY 1880 and KY 449.² Contract 2 covers the complete rehabilitation of the existing 100,000-gallon elevated water storage tank on South KY 61.³ Contract 3 addresses the installation of supervisory control and data acquisition ("SCADA") system equipment at Cumberland District's South KY 61, KY 449, and KY 1880 water storage tank sites, at the Kettle Control Valve Vault Site, at KY 449, Albany, KY 1880 and Cedar Creek booster pump stations, and at the water treatment plant.⁴ The project also includes the purchase of approximately 400 Hersey 420 Series Composite radio-read meters to replace existing manual-read meters.⁵

4. Cumberland District states that the proposed improvements will enable it to provide safe and reliable potable water supply to current and future residents of Cumberland County.⁶

5. The total cost of the proposed project, including administrative, legal, engineering, construction, and contingencies costs, is approximately \$1,368,000.

² Application, Exhibit E, Bid Tabulations.

³ *Id.*

⁴ *Id.*

⁵ Application at numbered paragraph 5(i).

⁶ Application at 3.

6. Monarch Engineering, Inc. of Lawrenceburg, Kentucky, prepared the plans and specifications for the proposed project.

7. The Kentucky Division of Water (“KDOW”) has approved the plans and specifications for the proposed project.⁷

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

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

10. Public convenience and necessity require the proposed construction, which allows Cumberland District to continue to provide reliable and adequate water service to its customers.

11. Cumberland District intends to finance the proposed project with a \$1,268,000 Federally Assisted Drinking Water Revolving Fund Loan approved by the Kentucky Infrastructure Authority (“KIA”).⁸ The original project budget included a \$100,000 grant for the U.S. Department of Agriculture Rural Development, which has already been spent on project costs.

12. On October 2, 2014, the KIA approved a loan of \$1,268,000 from the Federally Assisted Drinking Water Revolving Loan Fund to finance Cumberland District’s Waterworks Improvement Project. KIA offered to provide a loan to be repaid

⁷ Letter from Mark Rasche, Professional Engineer, supervisor, Engineering Section, Water Infrastructure Branch, KDOW, to Johnny E. Carter, Cumberland County Water District (May 1, 2015). Application, Exhibit A.

⁸ Letter from John Covington, III, executive director, Kentucky Infrastructure Authority to Alvin Pharis, chairman, Cumberland County Water District (Oct. 2, 2014), Application, Exhibit B.

over a 20-year term at an interest rate of 0.75 percent per annum with principal forgiveness of 30 percent.⁹

13. KIA also states that there will be an additional loan servicing fee of 0.25 percent of the annual outstanding loan balance that will be payable to KIA as a part of each interest payment.¹⁰

14. KIA has placed as a condition to the loan that Cumberland District execute an Assistance Agreement with KIA no later than October 2, 2015.

15. Cumberland District's failure to execute the proposed Assistance Agreement with KIA by October 2, 2015, will result in the rescission of KIA's commitment to fund the project.

16. A utility having less than \$5,000,000 in gross annual revenues is no longer required to provide financial data for a 12-month period ending within 90 days of the filing of the application if the utility's most recent annual report is on file with the Commission, and if the application contains information regarding any changes that have occurred since the period covered in the annual report.¹¹ For the calendar year ending December 31, 2014, Cumberland District had total operating revenues of \$1,313,877.¹² Cumberland District stated in its Application that there has been no material change in its financial condition or operation since December 31, 2014.¹³

⁹ *Id.*

¹⁰ *Id.* at 2.

¹¹ 807 KAR 5:001, Section 12(1)(b).

¹² *Annual Report of Cumberland County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2014* at 24 and 53.

¹³ Application at 5, numbered paragraph 6 (i).

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

IT IS THEREFORE ORDERED that:

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

2. Cumberland District 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. Cumberland 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) within 60 days of the date that construction 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.

5. Prior to placing the proposed meters in service, Cumberland District shall ensure that each meter is tested for accuracy by an approved agency or utility and a Commission-certified meter tester pursuant to 807 KAR 5:006, Section 17.

6. Cumberland District shall adopt procedures to test its meters as soon as possible after removal from service and shall maintain test records in accordance with 807 KAR 5:006, Section 18.

7. Cumberland District shall continue to test its meters in accordance with 807 KAR 5:066, Section 16(1).

8. Cumberland District shall continue to systematically perform and maintain records of annual inspections of its facilities, including meters, meter settings, and valves, in accordance with 807 KAR 5:006, Section 26.

9. Cumberland 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.

10. Cumberland 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.

11. Cumberland District is authorized to enter the proposed Assistance Agreement with KIA and, under the terms of that Agreement, to borrow from KIA an amount not to exceed \$1,268,000 to be repaid over a 20-year period at an interest rate of 0.75 percent per annum with principal forgiveness of 30 percent.

12. Within 30 days of executing its proposed Assistance Agreement with KIA, Cumberland District shall file with the Commission an executed copy of the Assistance

Agreement. Cumberland District 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 improvements or any other project except those clearly identified in Cumberland District's Application in this proceeding, unless and until Cumberland District is granted a CPCN to construct such improvements.

13. Any documents filed in the future pursuant to ordering paragraphs 2, 4, 9, and 12 shall reference this case number and shall be retained in the post case correspondence file.

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

By the Commission

ENTERED
AUG 18 2015
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



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