

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BULLOCK PEN WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO)	2015-00258
CONSTRUCT AND APPROVE FINANCING FOR)	
A PHASE XIV WATER LINE EXTENSION)	
PROJECT)	

ORDER

Bullock Pen Water District (“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. The District, a water district organized under KRS Chapter 74, owns and operates water treatment and distribution facilities that serve approximately 8,500 customers in portions of Grant, Boone, Kenton, Gallatin, Owen and Pendleton counties, Kentucky.¹

2. The District’s initial application, which was received on July 16, 2015, was supplemented and accepted as filed with the Commission on August 6, 2015. No person has sought intervention in this matter. The District has not requested a hearing in this matter, and the Commission finds the record complete.

¹ Application, numbered paragraph 4.

3. The Improvement Project consists of 1.85 miles of new water lines, including three directional creek bores and one interstate bore to connect (loop) existing dead-end lines on White Chapel Road, Mitts Road, Heekin Road, Vallandingham Road, and Osborne Road in the southern portion of the District's territory. One of the connections will have a new master meter from the city of Williamstown Municipal Water System, providing the District with a secondary source of water.²

4. The District states that the proposed improvements will enable it to improve water system flows, provide secondary feed and sources of water, dramatically reduce the flushing of dead-end water lines during warmer summer months, and assist the District in maintaining proper chlorine levels in the southern portion of the District's territory to ensure water quality.³

5. The total cost of the proposed project, including administrative, legal, engineering, construction, and contingencies costs, is approximately \$869,600.

6. CMW, Inc. of Lexington, 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.⁴

² *Id.*, numbered paragraph 7.

³ *Id.*

⁴ *Id.*, Exhibit 5, Letter from Mark Rasche, Professional Engineer, Supervisor, Engineering Section, Water Infrastructure Branch, KDOW, to William L. Catlett, Bullock Pen Water District (May 20, 2015).

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 the District to continue to provide reliable and adequate water service to its customers.

11. The District intends to finance the proposed project with a \$849,600 Federally Assisted Drinking Water Revolving Fund Loan approved by the Kentucky Infrastructure Authority ("KIA"). The remaining \$20,000 will be provided by the District.⁵

12. On March 6, 2014, the KIA approved a loan of \$849,600 from the Federally Assisted Drinking Water Revolving Loan Fund to finance the District's Waterworks Improvement Project. KIA offered to provide a loan to be repaid over a 20-year term at an interest rate of 1.75 percent per annum.⁶

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.⁷

14. KIA had originally placed as a condition to the loan that the District execute an Assistance Agreement with KIA no later than March 12, 2015. A letter from

⁵ *Id.*, Exhibit 8, Letter from Tammy McCall, Financial Analyst, Kentucky Infrastructure Authority, to Bobby Burgess, Chairman, Bullock Pen Water District (March 12, 2014).

⁶ *Id.*

⁷ *Id.*

John E. Covington, III, Executive Director, Kentucky Infrastructure Authority to Bobby Burgess, Chairman, Bullock Pen Water District on February 18, 2015, extended this date to execute an assistance agreement with KIA to September 12, 2015.

15. The District's failure to execute the proposed Assistance Agreement with KIA by September 12, 2015, will result in the rescission of KIA's commitment to fund the project.

16. The Application requests authority to issue securities, notes, bonds, stocks, or other evidences of indebtedness, and 807 KAR 5:001, Section 18(2)(a), requires the District to support its application for such a request with a financial exhibit. 807 KAR 5:001, Section 12, describes the financial exhibit that is required to be filed with the application. For the calendar year ending December 31, 2014, the District had total operating revenues of \$4,105,554.⁸ The District stated in its Application that there had been no change that is material in nature regarding the financial condition or operation of the District since December 31, 2014.⁹ The amount of the District's total operating revenues and its statement that indicated no material changes is sufficient, pursuant to 807 KAR 5:001, Section 12(b), to meet the financial exhibit requirement for this Application. While the District requested a deviation from 807 KAR 5:001 *et seq.* with regard to the financial data, no deviation from 807 KAR 5:001, Section 12, or Section 18(2)(a), is required, therefore, the request for a deviation is moot.

⁸ *Annual Report of Bullock Pen Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2014*, as provided in the Application, Exhibit 1 at 11.

⁹ Application, numbered paragraph 13.

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

IT IS THEREFORE ORDERED that:

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

2. The 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. The 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 master meter in service, the District shall ensure that it 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. The District shall maintain a test record in accordance with 807 KAR 5:006, Section 18.

7. The District shall continue to test the master meter in accordance with 807 KAR 5:066, Section 16(1).

8. The 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. The 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. The 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. The 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 \$849,600 to be repaid over a 20-year period at an interest rate of 1.75 percent per annum.

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

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

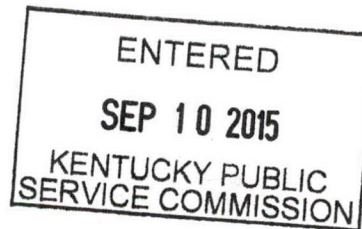
13. Any documents filed in the future pursuant to ordering paragraphs 2, 4, 9, and 12 shall reference this case number and shall be retained in the post case reference file.

14. The District's request for a deviation is denied as moot.

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

16. 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 securities authorized herein.

By the Commission



ATTEST:



Executive Director

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