

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY	)	
WATER DISTRICT FOR APPROVAL OF THE FT.	)	
THOMAS TREATMENT PLANT BASIN	)	CASE NO.
IMPROVEMENTS, ISSUANCE OF A	)	2015-00108
CERTIFICATE OF CONVENIENCE AND	)	
NECESSITY AND APPROVAL OF FINANCING	)	

ORDER

Northern Kentucky Water District (“NKWD”) has applied for a Certificate of Public Convenience and Necessity (“CPCN”) to construct improvements to the Ft. Thomas Treatment Plant (“FTTP”) and for approval of its plan to finance the proposed construction.

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

1. NKWD, a water district organized under KRS Chapter 74, provides retail water service to approximately 81,171 customers in Boone, Campbell, and Kenton counties, Kentucky, and wholesale water service to Bullock Pen Water District, city of Walton, and Pendleton County Water District.<sup>1</sup>

2. NKWD’s initial application was received and accepted as filed with the Commission on April 16, 2015. No person has sought intervention in this matter.

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<sup>1</sup> *Annual Report of Northern Kentucky Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2014* at 14, 56, and 63.

NKWD has not requested a hearing in this matter, and the Commission finds the record complete.

3. NKWD's project consists of the modification of the FTTP rapid mixing basin walls and the flocculation basin walls in order to meet recommended design standards for improved treatment performance.<sup>2</sup> This project also includes the structural rehabilitation of basins #2 and #3. These two basins contain the flocculation and sedimentation processes, which are the preliminary elements of the treatment process. These two basins were constructed in 1936.<sup>3</sup> The project further includes the replacement of the existing flocculation and sludge-collection equipment within the two basins, and the replacement of existing basin influent and effluent valves and slide gates.<sup>4</sup>

4. NKWD provided a technical memorandum prepared by HDR Engineers, Inc. of Lexington, Kentucky ("HDR").<sup>5</sup> In its technical memorandum, HDR presented assessments of existing basins, alternatives for proposed basin modifications, and the recommended alternatives and schedules to achieve current Kentucky Division of Water ("KDOW") standards.<sup>6</sup>

5. Total cost of the proposed project, including engineering costs, construction costs, and miscellaneous and contingency costs, is approximately \$2.7 million.

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<sup>2</sup> Application, paragraph 5.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> Application, Basis of Design Report, Exhibit A.

<sup>6</sup> *Id.*

6. HDR prepared the plans and specifications for the proposed project.
7. KDOW has approved the plans and specifications for the proposed project.<sup>7</sup>
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 to allow NKWD to continue to provide reliable and adequate water service to its customers.
11. NKWD intends to finance the proposed project with a State Revolving Fund Loan from the Kentucky Infrastructure Authority ("KIA") in the amount of \$2.1 million and \$600,000 from a future 2015 Bond Anticipation Note.<sup>8</sup>
12. On December 5, 2013, KIA approved a \$4 million loan from the Drinking Water State Revolving Fund to finance NKWD's Campbell County Water Main Rehabilitation and Treatment Plant 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.<sup>9</sup>

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<sup>7</sup> Letter from Mark Rasche, Professional Engineer, Supervisor, Engineering Section, Water Infrastructure Branch, KDOW, to Amy Kramer, Northern Kentucky Water District (Jan. 14, 2015), Application, Exhibit B.

<sup>8</sup> Application, paragraph 5.

<sup>9</sup> Letter from Tammy J. McCall, Financial Analyst, Kentucky Infrastructure Authority, to C. Ronald Lovan, P.E., President/CEO, Northern Kentucky Water District (Dec. 6, 2013), Application, Exhibit D.

13. NKWD is seeking Commission approval for financing of the total loan amount of \$4 million.<sup>10</sup> In addition to this project, NKWD will be seeking Commission authorization of disbursement of funds for four additional projects through the CPCN process as those projects are finalized at a later date.<sup>11</sup>

14. By a letter dated December 6, 2013, KIA placed as a condition to the loan that NKWD execute an Assistance Agreement with KIA no later than December 6, 2014.<sup>12</sup>

15. By a letter dated October 28, 2014, KIA extended the time period for executing the Assistance Agreement to June 6, 2015.<sup>13</sup>

16. NKWD's failure to execute the proposed Assistance Agreement with KIA by June 6, 2015, will result in the rescission of KIA's commitment to fund the said projects.

17. Except for the portion of the project set forth in its current application, NKWD has not yet applied for a CPCN for the any of the remaining four proposed projects.

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

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<sup>10</sup> Application, paragraph 7.

<sup>11</sup> *Id.*

<sup>12</sup> Letter from Tammy J. McCall, Financial Analyst, Kentucky Infrastructure Authority, to C. Ronald Lovan, P.E., President/CEO Northern Kentucky Water District (Dec. 6, 2013).

<sup>13</sup> Letter from John E. Covington, III, Executive Director, Kentucky Infrastructure Authority, to C. Ronald Lovan, P.E., President/CEO, Northern Kentucky Water District (Oct. 28, 2014).

19. No determination is made in this Order regarding the need for or reasonableness of the remaining four projects that are not included in this Application, nor is the use of any proceeds from NKWD's proposed KIA loan for those improvements authorized until and unless NKWD is granted a CPCN to construct such improvements.

IT IS THEREFORE ORDERED that:

1. NKWD is granted a CPCN to proceed with the proposed construction of the improvements to the FTTP as set forth in its Application.

2. NKWD 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. NKWD 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. NKWD 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.

6. NKWD 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.

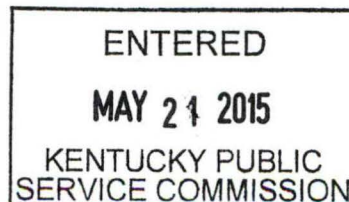
7. NKWD shall use the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its Application. None of the proceeds, however, shall be used for the construction of the proposed four projects, or any other project except those clearly identified in NKWD's Application in this proceeding, unless and until NKWD is granted a CPCN to construct such improvements.

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

9. Any documents filed in the future pursuant to ordering paragraphs 2, 4, 5, and 8 shall reference this case number and shall be retained in the utility's general correspondence file.

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

By the Commission



ATTEST:

  
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Executive Director

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