

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CARROLL COUNTY WATER DISTRICT'S )  
REQUEST FOR AMENDED TERMS TO ) CASE NO.  
INTERLOCAL AGREEMENTS AND ) 2015-00125  
AUTHORITY TO INCUR DEBT APPROVED )  
IN CASE NO. 2014-00174 )

ORDER

On April 3, 2015, Carroll County Water District No. 1 ("CCWD"), by counsel, submitted a letter, a copy of which is attached as Appendix A to this Order, requesting to amend a July 21, 2014 Order issued in Case No. 2014-00174<sup>1</sup> by increasing the amount of debt the utility is authorized to incur. The Commission will treat the letter as an application to enter into an evidence of indebtedness.

In the July 21, 2014 Order in Case No. 2014-00174, the Commission authorized CCWD to enter into a proposed intergovernmental agreement with the city of Carrollton ("City") and to sign an unsecured promissory note for payment to the City for CCWD's \$224,685 proportionate share of a \$1,538,817 Kentucky Infrastructure Authority ("KIA") loan for which the City has applied. KIA approved an increase in the City's loan amount to \$1,657,988.<sup>2</sup> The loan proceeds are for a regional project that consists of

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<sup>1</sup> Case No. 2014-00174, *Application of Carroll County Water District #1 for Approval of Interlocal Agreements and for Authority to Incur Debt* (Ky. PSC July 21, 2014).

<sup>2</sup> Letter from Amanda Yeary, Kentucky Infrastructure Authority, to Gene McMurry, mayor, city of Carrollton (Nov. 18, 2014).

constructing two emergency back-up connections to the City and increasing in size the existing water main located along KY 1039.

KRS 278.300(2) requires that an application to issue an evidence of indebtedness “shall be made under oath and be signed and filed on behalf of the utility by its president,” or by another executive officer having knowledge of the matters set forth in the application. The tendered application is not made under oath and has not been signed by an executive officer having knowledge of the matters set forth in the application.

In its tendered application, CCWD indicates that that the construction bids exceeded the anticipated cost of the regional project and that CCWD’s proportionate share of the KIA loan has increased from \$224,685 to \$362,251.35.

The Commission, on its own motion, hereby finds that this case should be opened to investigate: 1) the appropriateness of authorizing CCWD to sign an unsecured promissory note for payment to the City based on CCWD’s current proposed proportionate share of \$362,251.35 for the regional project; and 2) the status of the Intergovernmental Agreement. The record compiled in CCWD’s prior financing case, Case No. 2014-00174, should be incorporated by reference into this case.

Attached as Appendix B to this Order is Commission Staff’s First Request for Information to CCWD.

IT IS THEREFORE ORDERED that:

1. For purposes of KRS 278.300(2), the 60-day period shall begin to run on the date the Commission receives the application signed under oath by an executive officer of CCWD having knowledge of the matters.

2. The record compiled in CCWD's prior financing case, Case No. 2014-00174, is incorporated by reference into this case.

3. a. The information requested herein is due within 14 days of the date of this request. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record, and the original and ten copies to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. Any party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

By the Commission

ENTERED  
APR 27 2015  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2015-00125 DATED **APR 27 2015**

**CRAWFORD & BAXTER, P.S.C.**

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April 2, 2015

Mr. Jeff Derouen, Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
Frankfort, Kentucky 40601

**RECEIVED**

APR 3 2015

**PUBLIC SERVICE  
COMMISSION**

RE: Carroll County Water District No. 1  
Public Service Commission, Case No. 2014-00174

Dear Mr Derouen:

By Order entered on July 21, 2014, the Carroll County Water District No 1 ("CCWD") was granted authority to enter into an Intergovernmental Agreement with the City of Carrollton ("City") through its municipal utility, Carrollton Utilities ("CU"), for a regional water improvement project to be funded by the Kentucky Infrastructure Authority ("KIA"), and to incur its proportionate share of constructions costs, not to exceed \$224,685 00. We recently notified your staff that the project came in over bid, and that additional funds would be required for CCWD to participate in this project We were told to write a letter seeking guidance as to how to proceed to obtain Commission approval for the increased indebtedness

Specifically, the project approved by the Commission was advertised and placed for bid The construction bids, however, exceeded the anticipated cost of the project CU then turned to the KIA to seek additional funding for the project, which was granted However, due to construction increases, the scope of the project was changed slightly with cost cutting moves, and additional funding was required from the CCWD The net effect is that the CCWD's pro rata share of the project has increased from \$224,685.00 to \$362,251 35, including a cash contribution of \$50,000 00 from CCWD.

CCWD believes it is in the best interest of the District to continue with this project as it will benefit the customers of the District, and the region in general. In addition, the KIA financing contains a principal forgiveness of twenty five percent (25%) with an interest rate on the loan at 0 75% per annum, with a loan servicing fee of 0.25% of the annual outstanding loan balance payable to KIA as a part of each interest payment.

To further explain this development, we have enclosed the following documents for your consideration as Exhibits

# CRAWFORD & BAXTER, P.S.C.

Mr Jeff Derouen, Executive Director

April 2, 2015

Page Two

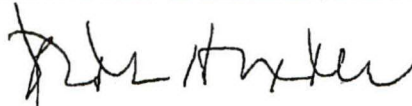
- Exhibit 1 Engineers' certification as to the bid tabulation;
- Exhibit 2 Change Order #1 detailing the project changes for cost-cutting moves;
- Exhibit 3 CU's request for additional funding for the project,
- Exhibit 4 KIA's approval of additional funding for this project,
- Exhibit 5 CCWD's agreement to approve the changes and accept the new debt service, and,
- Exhibit 6 Raisor, Zapp & Woods, P.S.C. , auditor for CCWD, letter stating that the District can meet the increased payment requirements for the debt associated with the project without any increase in rates to its customers

We would appreciate your reviewing this matter and advising how we need to proceed to obtain an amended Order from the Commission approving these new terms to this intergovernmental project We stand ready to answer any additional questions necessary to further explain the details of this required change.

Thank you for your consideration of this matter

Sincerely,

CRAWFORD & BAXTER, P.S.C.



Ruth H Baxter

RHB/rb/dmp

Enclosures

cc Mr. Terry A. Roach, Carrollton Utilities  
Mr Obe D. Cox, CCWD General Manager

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2015-00125 DATED **APR 27 2015**

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO CARROLL COUNTY WATER DISTRICT

1. Refer to the CCWD application tendered April 3, 2015, Exhibit 5, Carroll County Interconnect Project, WX #21041001-Cost Summary Sheet, and to Exhibit 1 of CCWD's Supplemental Filing in Case No. 2014-00174 on July 10, 2014. The construction cost for the CCWD HWY 1039 Interconnection is \$262,192.50 on Exhibit 5 of the filing in this case, but in Case No. 2014-00174, Exhibit 1 of the July 10, 2014 filing indicates the CCWD HWY 1039 Interconnection cost was \$80,528.62. Provide a detailed explanation of the difference in the two cost amounts shown.

2. Refer to the application in this case, page 1, the sentence that states, "The net effect is that the CCWD's pro rata share of the project has increased from \$224,685.00 to \$362,251.35, including a cash contribution of \$50,000.00 from CCWD." Is CCWD requesting authorization to issue a Note in the amount of \$362,251.35 or \$312,251.35?

3. In Case No. 2014-00174, the Commission authorized CCWD to enter into the proposed Intergovernmental Agreement with the City.<sup>3</sup> Has CCWD entered in to the Intergovernmental Agreement?

a. If so:

1. Provide a copy of the executed Intergovernmental Agreement.

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<sup>3</sup> Case No. 2014-00714, *Carroll County Water District* (Ky. PSC July 21, 2014), Final Order at 5.



2. Will the executed Intergovernmental Agreement be amended?

b. If the answer is no, file a copy of the proposed Intergovernmental Agreement.

\*Honorable Ruth H Baxter  
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Crawford & Baxter, P.S.C. Attorneys at Law  
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