

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BATH COUNTY WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO)	2016-00270
CONSTRUCT AND FINANCE IMPROVEMENT)	
PROJECTS PURSUANT TO KRS 278.020 AND)	
278.300)	

ORDER

Bath County Water District (“Bath County”) has applied for a Certificate of Public Convenience and Necessity (“CPCN”) to construct water main improvements and for approval of its financing of the proposed project.

Bath County tendered for filing an application for a CPCN and approval of financing on July 22, 2016. The Commission notified Bath County by letter dated July 29, 2016, that its application was deficient. Bath County subsequently cured the deficiency, and its application was accepted for filing on August 10, 2016. Bath County did not request a hearing in this matter.

Bath County, a water district organized under KRS Chapter 74, provides retail water service to approximately 3,783 customers in Bath, Menifee, Montgomery and Rowan counties, Kentucky, and wholesale water service to the cities of Owingsville and Frenchburg, and to the Sharpsburg Water District.¹

¹ *Annual Report of Bath County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2015* at 12, 53, and 59.

The proposed project entails the construction of approximately 33,000 feet of water line and includes:

- approximately 11,690 feet of 6-inch polyvinyl chloride (“PVC”) water line following KY 36 from Hart Pike to its western junction with KY 965;
- approximately 8,410 feet of 6-inch PVC water line following KY 965 from its southern intersection with KY 36 to south of Blevins Valley Road;
- approximately 1,900 feet of 6-inch PVC water line following Blevins Valley Road and heading east;
- approximately 8,250 feet of 6-inch PVC water line on KY 36 between Pine Grove Road and Pendleton Branch Road;
- a new White Oak Pump Station;
- a rehabilitated Dickerson Hill Pump Station; and
- a generator added to the Ore Mines Pump Station.²

The water lines along KY 36, KY 965, and Blevins Valley Road are being constructed in areas that have experienced several water line breaks resulting in significant water loss. The KY 36 water line will allow for additional flow from the city of Frenchburg in emergencies. Dickerson Hill Pump Station is being rehabilitated, and White Oak Pump Station is being reconstructed with new pumps and variable frequency drive controls to make them more energy efficient. The generator at Ore Mines Pump Station is to provide back-up power in the event of an outage in order to maintain

² Application at 6.

water to Bath County's wholesale customers, the city of Owingsville and Sharpsburg Water District.³

Bath County opened bids for this project on April 25, 2016. The total construction cost of the project as bid is \$827,852.51.⁴ The total cost of the proposed water improvement portion of the project, including engineering design, construction supervision, inspection, easement acquisition, and contingency, is \$1,063,136.⁵ This project is to be financed through an Assistance Agreement with the Kentucky Infrastructure Authority ("KIA") with a \$925,470 loan from the KIA Fund F and \$137,666 of Bath County's funds.⁶

The \$925,470 KIA loan is to be repaid over a 20-year term at an interest rate of 0.75 percent per annum with a loan servicing fee of 0.25 percent of the annual outstanding loan balance payable to KIA with each interest payment. The loan has principal forgiveness in the amount of 25 percent of the loan, but not to exceed \$231,368. Bath County received a one-year Conditional Commitment from KIA for this loan on September 3, 2015.⁷

³ *Id.*

⁴ Application at 15.

⁵ Application at 14.

⁶ Application at 2.

⁷ Application at 16–17.

Kentucky Engineering Group, PLLC of Versailles, Kentucky, prepared the plans and specifications for the proposed project.⁸ The plans and specifications were approved by the Kentucky Division of Water (“DOW”) on March 18, 2016.⁹

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

1. The record for this case is complete.
2. The proposed construction will not result in wasteful duplication of existing facilities.
3. The proposed construction does not conflict with any existing certificates or the service of any other utility operating in the area.
4. Public convenience and necessity require the proposed construction, which will allow Bath County to provide reliable and adequate water service to its customers.
5. The proposed Assistance Agreement with KIA is for lawful objects within Bath County’s corporate purpose. It is necessary for, appropriate for, and consistent with the proper performance of Bath County’s service to the public, will not impair Bath County’s ability to perform that service, and is reasonably necessary and appropriate for such purpose.
6. Bath County should be authorized to utilize \$925,470 of the proceeds of the Assistance Agreement on the project approved herein.

⁸ Application at 15.

⁹ Supplemental Filing of August 25, 2016.

IT IS THEREFORE ORDERED that:

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

2. Bath County shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved by this Order shall be undertaken only with the prior approval of the Commission.

4. Bath County 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.

5. Bath County is authorized to enter the proposed Assistance Agreement with KIA and, under the terms of the Assistance Agreement, to borrow from KIA an amount not to exceed \$925,470 to be repaid over a 20-year period at an interest rate of 0.75 percent per annum.

6. Within 30 days of executing its proposed Assistance Agreement with KIA, Bath County shall file with the Commission an executed copy of the Assistance Agreement. Bath County shall use \$925,470 of the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its application. None of the proceeds, shall be used for the construction of any project not approved by the Commission, except those clearly identified in Bath County's Application in this

proceeding, unless and until Bath County obtains prior Commission approval for the use of the proceeds.

7. Bath County 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, etc.), within 60 days of the date that construction authorized under this CPCN 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.

8. Bath County 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.

9. Any documents filed in the future pursuant to ordering paragraphs 2, 6, 7, and 8 shall reference this case number and shall be retained in the post case reference 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 Bath County's showing of good cause for such extension.

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 other agency thereof as to the securities authorized herein.

By the Commission

ENTERED
SEP 23 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

David D. Grunwell
Executive Director *gr*

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