

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WARREN COUNTY WATER)	
DISTRICT, WARREN COUNTY, KENTUCKY, (A) FOR A)	
CERTIFICATE OF CONVENIENCE AND NECESSITY,)	CASE NO.
PURSUANT TO KRS 278.020, AUTHORIZING SAID)	2016-00035
DISTRICT TO CONSTRUCT IMPROVEMENTS AND)	
EXTENSIONS TO ITS EXISTING SEWER SYSTEM,)	
WHICH IMPROVEMENTS AND EXTENSIONS WILL BE)	
FINANCED IN WHOLE OR IN PART UNDER THE)	
TERMS OF AN AGREEMENT BETWEEN THE WATER)	
DISTRICT AND THE KENTUCKY INFRASTRUCTURE)	
AUTHORITY; AND (B) FOR AUTHORITY TO ISSUE)	
CERTAIN SECURITIES AS REQUIRED BY KRS)	
278.300)	

ORDER

Warren County Water District ("Warren District") has applied for a Certificate of Public Convenience and Necessity ("CPCN") to construct a wastewater improvements project and for approval of its plan to finance the proposed project.

Warren District filed an application for a CPCN and approval of financing on January 7, 2016. The application was supplemented and accepted as complete on January 26, 2016. Warren District has not requested a hearing in this matter.

Warren District, a water district organized under KRS Chapter 74, provides retail water and sewer service to approximately 26,786 water customers¹ and 5,522 sewer customers² in Warren County, Kentucky.

¹ Annual Report of Warren County Water District Water Division to the Kentucky Public Service Commission for the Year Ended December 31, 2014 at 53.

² Annual Report of Warren County Water District Sewer Division to the Kentucky Public Service Commission for the Year Ended December 31, 2014 at 25.

This CPCN is for construction of approximately 8,000 feet of gravity sewer lines (8-inch and 12-inch polyvinyl chloride ("PVC")), 18,000 feet of force main (mostly 8-inch PVC with some 3-inch PVC), a lift station, and other sewer appurtenances to serve an existing elementary school and an existing county park.³ These facilities are currently served by on-site treatment systems, which will be eliminated upon connection to the collection system. The total construction cost of the proposed project, including engineering design, construction supervision, inspection, easement acquisition, and contingency, is \$1,827,650.⁴

Warren District intends to finance this project with \$1,090,050 from a Governmental Agencies Program loan, administered by the Kentucky Infrastructure Authority ("KIA"). KIA approved this loan on February 5, 2015. This loan is to be repaid over a 20-year term at an interest rate of 3.0 percent per annum, with a loan-servicing fee of 0.20 percent of the annual outstanding loan balance payable to KIA with each interest payment.⁵ On February 17, 2016, KIA granted Warren District an extension of time through April 5, 2016, in which to execute an Assistance Agreement.⁶

Warren District will finance part of this project with a contribution of \$490,650 from the Warren County Board of Education to provide sewer service to the Alvaton

³ Application at 2.

⁴ Application, Exhibit A.

⁵ Application, Exhibit B.

⁶ Kentucky Infrastructure Authority, Governmental Agencies Program, Conditional Commitment Letter (C15-003), Extension, dated February 17, 2016 (filed Feb. 18, 2016).

Elementary School, and \$66,950 from the Warren County Department of Public Works.⁷ Warren District is providing a \$180,000 contribution for this project.⁸

Warren District plans to recover the payment of this loan through a Sewer Interceptor Capital Recovery Area (“SICRA”) contribution. This contribution will be collected as an addition to the sewer tap fee.⁹

Warren District prepared the plans and specifications for the proposed project,¹⁰ and the plans were approved by the Kentucky Division of Water (“KDOW”) on July 20, 2015.¹¹

Warren District opened bids for this project on December 16, 2015. Bids are subject to acceptance for 75 days.¹² The bids on this project will expire on February 29, 2016.

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

⁷ Application at 3–4.

⁸ Application, Exhibit A.

⁹ Application, Exhibit C. In Case No. 2012-00269, *Tariff Filing of Warren County Water District to Establish the Rockfield School Sewer Capital Recovery Fee* (Ky. PSC Nov. 19, 2012), the Commission approved Warren District’s application for an SICRA rate for customers applying for initial service on property located within the boundary delineated for the Rockfield School Sewer Capital Recovery Area. In Case No. 2011-00418, *Application of Warren County Water District, Warren County, Kentucky (A) for a Certificate of Convenience and Public Necessity Pursuant to KRS 278.020 Authorizing Said District to Construct Improvements and Extensions to Its Existing Sewer System Which Improvements will be Financed in Whole or in Part Under the Terms of an Agreement Between the Water District and the Kentucky Infrastructure Authority and (B) for Authority to Issue Certain Securities as Required by KRS 278.300* (Ky. PSC July 17, 2012), the Commission approved Warren District’s application for a SICRA rate for customers applying for initial service on property located within the boundary delineated for the Buchanan Park Sewer Interceptor Capital Recovery Area.

¹⁰ Application, Exhibit A.

¹¹ Letter to Linda Faulkner, Filings Division Director, Public Service Commission, from John M. Dix, General Manger, Warren County Water District (filed Jan. 26, 2016).

¹² *Id.*

1. The record in 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 allows Warren District to provide reliable and adequate sewer service to its customers.
5. The proposed Assistance Agreement with KIA is for lawful objects within Warren District's corporate purpose. It is necessary for, appropriate for, and consistent with the proper performance of Warren District's service to the public. It will not impair Warren District's ability to perform that service. It is reasonably necessary and appropriate for such purpose.
6. Warren District should be authorized to utilize \$1,090,050 of the proceeds of the Assistance Agreement on the project approved herein.

IT IS THEREFORE ORDERED that:

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

5. Warren 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 \$1,090,050 to be repaid over a 20-year period at an interest rate of 3.0 percent per annum.

6. Within 30 days of executing its proposed Assistance Agreement with KIA, Warren District shall file with the Commission an executed copy of the Assistance Agreement. Warren District shall use \$1,090,050 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 Warren District's Application in this proceeding, unless and until Warren District obtains prior Commission approval for the use of the proceeds.

7. Warren 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, and administrative) 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.

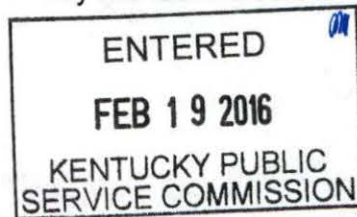
8. Warren District shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

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 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 Warren District'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



ATTEST:


Acting Executive Director

*Warren County Water District
523 US Highway 31W Bypass
P. O. Box 10180
Bowling Green, KY 42102-4780

*John Dix
PE
Warren County Water District
523 US Highway 31W Bypass
P. O. Box 10180
Bowling Green, KY 42102-4780

*Frank Hampton Moore, Jr.
COLE & MOORE
921 College Street - Phoenix Place
P. O. Box 10240
Bowling Green, KENTUCKY 42102-7240