

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTH HOPKINS WATER)	
DISTRICT TO INCUR INDEBTEDNESS OF)	
\$765,000.00 FOR THE REHABILITATION OF TWO)	CASE NO.
(2) WATER TANKS AND FOR A CERTIFICATE OF)	2017-00237
CONVENIENCE AND PUBLIC NECESSITY)	
)	

ORDER

On June 6, 2017, South Hopkins Water District ("South Hopkins") submitted an application, pursuant to KRS 278.020, for a Certificate of Public Convenience and Necessity ("CPCN") to construct an improvement project. South Hopkins was informed by letter from Commission Executive Director Talina Mathews, dated June 15, 2017, that the application failed to meet the minimum filing requirements and South Hopkins was instructed to file the necessary information to cure the deficiencies within 10 days. On June 20, 2017, South Hopkins provided a Response to the Deficiency Letter and made a motion to hold the case in abeyance. The Commission granted South Hopkins' motion by Order on July 14, 2017, which required South Hopkins to cure its deficiencies within 30 days, or file a status report if it had not cured the deficiencies. On August 10, 2017, South Hopkins filed a status report and a motion for additional time to respond. By Order dated September 5, 2017, the Commission granted South Hopkins an additional 30 days for its application to be held in abeyance and for it to cure all remaining deficiencies.

On September 18, 2017, South Hopkins filed a supplemental response curing the deficiencies, identified in the June 15, 2017 letter and moved to remove the application

from abeyance. The Commission's Order of October 12, 2017, denied the motion as moot, holding that South Hopkins's application was considered filed as of September 18, 2017, and that the abeyance had expired under its own terms on October 5, 2017.

No person has sought intervention in this matter, and South Hopkins has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

South Hopkins, a water district organized under KRS Chapter 74, provides retail water service to approximately 2,963 customers in Caldwell and Hopkins counties of Kentucky.¹

South Hopkins's application for a CPCN proposes the rehabilitation and improvement of two existing water tanks. The work for the first tank, which is an elevated water storage tank, will include replacing the existing riser, raising the fill pipe, and repairing sheet metal, in addition to the tank's being cleaned and painted. The rehabilitation of the second tank, a ground tank, will include installation of a mixing system, sand blasting, cleaning and painting.²

The total estimated cost of the proposed project, including legal, administrative, development, and engineering, plus interest and contingencies, is \$765,000.³

South Hopkins proposes to finance the proposed construction with the proceeds of a Kentucky Infrastructure Authority ("KIA") Infrastructure Revolving Loan Fund (Fund

¹ *Annual Report of South Hopkins District, Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2016*, at 12 and 50.

² Application, Exhibit A.

³ *Id.* at 3.

“B”) in the amount of \$765,000.⁴ The proposed loan is to be repaid over a 20-year term at an interest rate of 1.75 per annum with an administrative fee of 0.20 percent of the annual outstanding loan balance payable to KIA with each interest payment.⁵ South Hopkins has a one-year Conditional Commitment from KIA for the proposed loan; this one-year Conditional Commitment expires on March 7, 2018.⁶ South Hopkins did not request approval of revised water rates.

Earl W. Coffey prepared the plans and specifications for the proposed project.⁷ The Kentucky Division of Water approved the plans and specifications of the proposed project on September 13, 2017.⁸

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

1. The record for this case is complete.
2. South Hopkins’s proposed construction will not result in wasteful duplication of existing facilities.
3. The proposed construction does not conflict with any existing certificates or service of any other utility operating in the area.
4. Public convenience and necessity require the proposed construction, which will allow South Hopkins to continue providing reliable and adequate water services to its customers.

⁴ *Id.*

⁵ *Id.* at 5.

⁶ *Id.* at 9.

⁷ South Hopkins Water District Supplemental Response and Motion at 1 (Sept. 18, 2017).

⁸ *Id.* at 3.

5. South Hopkins will, as a result of the proposed improvement project, incur obligations that require Commission approval pursuant to KRS 278.300. The project will be financed through a KIA Fund B loan.

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

7. South Hopkins will not, as a result of the proposed improvement project, increase its rates for water service to its customers.

IT IS THEREFORE ORDERED that:

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

2. South Hopkins 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. South Hopkins 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. South Hopkins is authorized to enter into the proposed Assistance Agreement with KIA and, under the terms of the Assistance Agreement, to borrow from KIA an amount not to exceed \$765,000 to be repaid over a 20-year period at an interest rate of 1.75 percent per annum with an administrative fee of 0.20 percent of the annual outstanding loan balance payable to KIA with each interest payment.

6. Within 30 days of executing its proposed Assistance Agreement with KIA, South Hopkins shall file with the Commission an executed copy of the Assistance Agreement. South Hopkins shall use \$765,000 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 constructions of any project not clearly identified in South Hopkins's application and approved by the Commission in this proceeding, unless and until South Hopkins obtains prior Commission approval for the use of the proceeds.

7. South Hopkins 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.

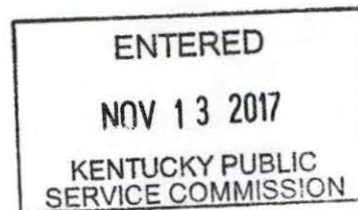
8. South Hopkins shall file a copy of a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certificated herein.

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 correspondence file.

10. The Executive Director is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon South Hopkins'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 agency thereof as to the securities discussed herein.

By the Commission



ATTEST:


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for James P. Mason

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