

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTHERN)	CASE NO.
KENTUCKY WATER DISTRICT FOR APPROVAL)	2022-00319
TO ISSUE EVIDENCE OF INDEBTEDNESS)	

ORDER

On September 29, 2022, Northern Kentucky Water District (Northern Kentucky District) tendered an application, pursuant to KRS 278.300, seeking Commission approval for financing of a loan in the amount of \$8,000,000 to fund portions of the construction of the Fort Thomas Treatment Plant Basin Improvements Phase Two Project and the Taylor Mill Treatment Plant Emergency Generator Project. Northern Kentucky District also expects to use \$2,050,000 of internal funds for the project.¹ The application was marked as deficient, and the deficiencies were cured on October 7, 2022. There are no intervenors in this case. The matter is now submitted to the Commission for a decision based upon the evidentiary record.

LEGAL STANDARD

KRS 278.300 requires Commission approval before a utility may “issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person.”² The legal standard contained in KRS 278.300(3) establishes the purview of Commission review, stating:

¹ Application at 109, Executive Summary.

² KRS 278.300(1).

The commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

PROPOSED FINANCING

Northern Kentucky District intends to finance \$8,000,000 of the cost of two projects with a loan from the Kentucky Infrastructure Authority (KIA). The loan will have an interest rate of 1.50 percent for 20 years with total payments of approximately \$484,482,³ paid semi-annually, per year. The financing will be through the Federally Assisted Drinking Water Revolving Loan Fund.⁴

DISCUSSION AND FINDINGS

The first project loan component, for which Northern Kentucky District requested \$3,935,000 in financing, is for the Fort Thomas Treatment Plant Basin Improvements Phase 2, which has already been granted a Certificate of Public Convenience and Necessity (CPCN) in Case No. 2021-00047.⁵ The improvements will include concrete repair, reconfiguration of the flocculation process and mixing basis, and replacement of

³ Application at 111.

⁴ Application at 109, Executive Summary.

⁵ Case No. 2021-00047, *Electronic Application of Northern Kentucky Water District for a Certificate of Public Convenience and Necessity to Construct the Fort Thomas Treatment Plant Basin Improvements Phase 2 and for Approval of Financing* (Ky. PSC Apr. 6, 2021), final Order.

influent/effluent valves and sludge collection equipment. Additionally, the existing tube settlers in all four basins will be replaced with new plate settlers and the chemical feed manifold piping will be replaced in the sodium hypochlorite building.⁶ The existing basins were constructed in 1987 and 1992 are showing signs of deterioration and the process equipment requires frequent repair.⁷

The second project loan component, for which Northern Kentucky District requested \$4,065,000 in financing, is for part of the Taylor Mill Treatment Plant Emergency Generator Project, which is currently being reviewed by Kentucky Division of Water and Northern Kentucky District expects to make application for a CPCN within the next year.⁸ The Taylor Mill Treatment Plant Emergency generator project will include the installation of a new 7.5 MVA, 69KV x 2400V substation, 2000 KW, 2400V standby diesel generator, 2400V switchgear in a walk-in enclosure, 500 KVA, 2400V x 480/277V pad mounted transformer, and associated structures, cabling, terminations, etc., and remote I/O panel connected via fiber optic cabling. The project includes site grading, relocation of underground utilities, equipment pads, fencing, and platforms and railings. In its application, Northern Kentucky District stated that the Emergency Generator project is vital to provide a reliable backup power source to the Taylor Mill Treatment Plant and that both projects are important for Northern Kentucky District's ability to continue to provide

⁶ Case No. 2021-00047, *Electronic Application of Northern Kentucky Water District for a Certificate of Public Convenience and Necessity to Construct the Fort Thomas Treatment Plant Basin Improvements Phase 2 and for Approval of Financing* (Ky. PSC Apr. 6, 2021), final Order.

⁷ Case No. 2021-00047, *Electronic Application of Northern Kentucky Water District for a Certificate of Public Convenience and Necessity to Construct the Fort Thomas Treatment Plant Basin Improvements Phase 2 and for Approval of Financing*. Northern Kentucky District's Response to Staff Telephone Data Request of March 24, 2021 (filed Mar. 25, 2021), Item 2.

⁸ Application at 2, paragraph 8.

adequate and reasonable water service.⁹ Northern Kentucky District further asserted these projects will improve water quality, treatment efficiency, and allow improved system reliability without creating potential water quality concerns.¹⁰

Having reviewed the proposed financing, the Commission finds that Northern Kentucky District satisfied the legal standards established in KRS 278.300. The lawful object of Northern Kentucky District's purpose is to provide safe, adequate, and reliable water service to the public. The proposed financing meets the lawful object of the utility's purpose because it will be used for projects directed at both replacing deteriorating infrastructure that is frequently in need of repair and installing new infrastructure necessary to maintain and improve its ability to provide service to its customers. The proposed financing is also appropriate for the proper performance by the utility, will not impair its ability to perform that service, and is reasonably, necessary to meet its statutory duty to provide safe, adequate and reliable water service, in furtherance of projects, one of which has already been granted a CPCN by the Commission, intended to improve water quality and provide improved system reliability for its customers. For these reasons, the Commission finds that Northern Kentucky District's proposed financing should be approved. The Commission further finds that Northern Kentucky District should execute its note as security for the proposed loan in the manner described in the application.

Further, the Commission finds that Northern Kentucky District should be permitted to expend not more than \$3,935,000 of proceeds from the note for execution of the Fort

⁹ Application at 2, paragraph 8.

¹⁰ Case No. 2021-00047, *Electronic Application of Northern Kentucky Water District for a Certificate of Public Convenience and Necessity to Construct the Fort Thomas Treatment Plant Basin Improvements Phase 2 and for Approval of Financing*. Northern Kentucky District's Response to Staff Telephone Data Request of March 24, 2021 (filed Mar. 25, 2021), Item 2.

Thomas Treatment Plant Basin Improvements Phase Two Project. The remaining loan balance of \$4,065,000 should not be expended until Northern Kentucky District is granted a CPCN for the Taylor Mill Treatment Plant Emergency Generator Project.

IT IS THEREFORE ORDERED THAT:

1. Northern Kentucky District is authorized to borrow \$8,000,000 from the KIA. The loan terms shall be in accordance with the terms as described in Northern Kentucky District's application.
2. Northern Kentucky District shall execute the loan documents as authorized herein.
3. An amount not to exceed \$3,935,000 shall be obtained in accordance with the terms of the loan documents for the Fort Thomas Treatment Plant Basin Improvements Phase Two Project for which a CPCN was granted in Case No. 2021-00047.
4. The remaining \$4,065,000 of the loan shall not be expended until Northern Kentucky District is granted a CPCN for the Taylor Mill Treatment Plant Emergency Generator Project.
5. Within ten days of the execution of the new loan, Northern Kentucky District shall file with the Commission an electronic version of the loan documents.
6. Any documents filed pursuant to paragraph 5 of this Order shall reference this case number and shall be retained in the post-case correspondence file.
7. The proceeds from the proposed loan shall be used only for the lawful purposes set out in Northern Kentucky District's application.

8. The terms and conditions of the loan shall be consistent with the terms as described in Northern Kentucky District's application.

9. Nothing contained herein shall be deemed a warranty of finding of value of securities or financing authorized herein on the part of the commonwealth of Kentucky or any agency thereof.

10. This case is closed and removed from the Commission's docket.

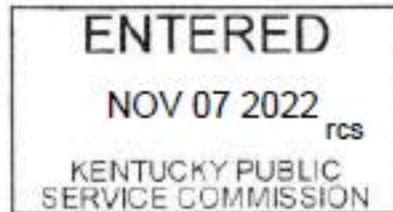
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PUBLIC SERVICE COMMISSION


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ATTEST:


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