

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NORTHERN KENTUCKY	)	
WATER DISTRICT FOR APPROVAL TO	)	
CONSTRUCT ADDITIONAL FACILITIES AS PART OF	)	CASE NO. 2000-329
SUBDISTRICT C AND FOR APPROVAL OF	)	
FINANCING PURSUANT TO KRS 278.023	)	

O R D E R

Northern Kentucky Water District (“NKWD”) has applied for a Certificate of Public Convenience and Necessity to construct four water main extension projects within its Subdistrict C at an estimated total cost of \$2,276,800. The proposed projects are financed in part under the terms of an agreement between NKWD and Rural Development (“RD”), an agency of the United States Department of Agriculture. The Commission previously approved several waterworks improvement projects related to this agreement in Case No. 99-150.<sup>1</sup>

RD recently amended its agreement<sup>2</sup> to include the proposed projects and changes in the proposed plan of financing for the 7 projects.<sup>3</sup> The proposed projects

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<sup>1</sup> Case No. 99-150, The Application and Motion of Northern Kentucky Water District to Construct an Extension, Subdistrict C to Serve Approximately 400 New Customers, and to Institute a Surcharge Under KRS 278.023 With No Change In Northern’s General Water Rates; Estimated Funding of \$5,200,000 in Large Measure by USDA, Plus Community Efforts (May 17, 1999).

<sup>2</sup> Letter from Thomas G. Fern, RD State Director, to Norman Veatch, Chairman, NKWD (May 31, 2000).

<sup>3</sup> The original plan of financing, approved in Case No. 99-150, provided for 3 water main extension projects.

will provide water service to 199 additional customers. Under the amended financing agreement, NKWD will issue an additional \$2,140,900 in revenue bonds to finance the projects, the Kenton County Fiscal Court will contribute an additional \$72,800 toward the projects, and new customers will contribute an additional \$63,100 in the form of connection fees.<sup>4</sup>

NKWD submitted its application pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U. S. Department of Agriculture and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. As NKWD's application meets minimum filing requirements set forth in Administrative Regulation 807 KAR 5:069, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

Having reviewed the application and being otherwise sufficiently advised, the Commission recommends that the financing agreement between RD and NKWD be modified to include the conditions set forth in Ordering Paragraph 11.<sup>5</sup> The Commission further cautions NKWD that future projects and the assignment of those projects' costs to any of the water district's subdistricts should conform to the principles set forth in

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<sup>4</sup> The 7 projects will, en toto, add 554 new customers to NKWD's system and will be financed through a loan from RD in the amount of \$2,287,000, a Community Development Block Grant of \$886,800, a bond issuance of \$3,968,900, a contribution of \$172,800 from Kenton County Fiscal Court, a private cash contribution of \$10,000, and connection fees of \$139,100.

<sup>5</sup> For a discussion of the policy reasons for these recommendations, see Northern Kentucky Water District, Case No. 2000-237 (Ky.P.S.C. July 6, 2000).

Finding 25.

IT IS THEREFORE ORDERED that:

1. NKWD is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. NKWD 's proposed plan of financing is accepted.
3. NKWD is authorized to issue bonds not to exceed \$2,140,900.
4. NKWD shall notify the Commission in writing 7 days prior to the actual commencement of the proposed construction and when 50 percent of the proposed construction is completed.
5. NKWD shall monitor the adequacies of the expanded water distribution system after construction to ensure that its service complies with Administrative Regulation 807 KAR 5:066, Section 5(1), and where such service is not in compliance, take appropriate action to conform to that regulation. Nothing contained herein, however, authorizes NKWD to construct additional facilities without prior Commission approval.
6. NKWD 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 approved herein.
7. NKWD shall cease collection of the surcharge upon payment in full of the RD loan to finance the water main extension projects for Subdistrict C.

8. The surcharge proceeds shall be used only to service the RD loan identified in the financing agreement between NKWD and RD.

9. NKWD shall identify the surcharge as a separate line item on its bills to Subdistrict C customers.

10. For each calendar year in which the surcharge is effective, NKWD shall submit with the annual financial and statistical report required by Administrative Regulation 807 KAR 5:006, Section 3(1), a written report stating

a. the number of customers in Subdistrict C as of December 31 of the preceding year.

b. the total surcharge billed during the preceding calendar year.

c. the total surcharge billed since the date of this Order.

11. The following recommended modifications to the amended financing plan shall be transmitted to RD by serving a copy of this Order upon the State Director of RD:

a. The Subdistrict C Surcharge should be based upon a customer's meter size and type.

b. NKWD should be required to annually adjust the Subdistrict C Surcharge to reflect the number of Subdistrict C customers as of December 31 of the preceding year, the size and type of meters used to serve these customers, and the outstanding debt service requirements on the debt that was issued to finance the Subdistrict C facilities.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 21st day of July, 2000.

By the Commission

ATTEST:

Deputy Wm H. Fowler  
Executive Director