

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE MADISON COUNTY	)	
UTILITIES DISTRICT FOR A CERTIFICATE	)	
OF PUBLIC CONVENIENCE AND NECESSITY	)	CASE NO.
TO CONSTRUCT A WATER STORAGE TANK	)	2008-00182
AND A GENERAL RATE INCREASE TO	)	
FINANCE WATER STORAGE TANK	)	

ORDER

Madison County Utilities District ("MCUD") has applied for a Certificate of Public Convenience and Necessity to construct a \$1,286,310 waterworks improvement project, for approval of its plan of financing for this project, and for adjustments to its water service rates. Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. MCUD proposes to construct a 500,000-gallon elevated water storage tank located south of Richmond, Kentucky on Continental Drive.
2. MCUD has requested that approval of the proposed construction and financing be granted as expeditiously as possible so that construction may begin in a timely manner.
3. MCUD states in its application that its average daily water usage for the period between March 1, 2007 and February 28, 2008, including unaccounted-for water, is approximately 1,909,300 gallons, and that its current water storage capacity is 1,600,000 gallons.

4. The proposed water storage tank will replace an existing 100,000-gallon elevated water storage tank constructed in the 1960s and located in the same area.

5. Total estimated cost of the proposed construction, including engineering and construction costs and contingencies, is \$1,286,310.

6. MCUD has selected Caldwell Tanks, Inc. to construct the proposed water storage tank.

7. The proposed project does not conflict with the existing service of other utilities.

8. CMW, Inc. of Richmond, Kentucky prepared the plans and specifications for the proposed construction.

9. The Division of Water of the Kentucky Environmental and Public Protection Cabinet<sup>1</sup> has approved the plans and specifications for the proposed construction.

10. Construction of the proposed project will not result in the wasteful duplication of or excessive investment in utility facilities.

11. The public convenience and necessity require the construction of the proposed water storage tank.

12. MCUD proposes to finance the proposed facility with a Kentucky Infrastructure Authority ("KIA") grant of \$101,750,<sup>2</sup> a \$79,544 contribution from MCUD,

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<sup>1</sup> On June 16, 2008, the Environmental and Public Protection Cabinet was reorganized. The Division of Water was placed under the authority of a newly created Energy and Environment Cabinet. See Executive Order 2008-0531.

<sup>2</sup> The \$101,750 is the amount that remains from the original \$500,000 grant MCUD received from the KIA.

and \$1,105,016<sup>3</sup> of proceeds from a KIA Federally Assisted Drinking Water State Revolving Fund loan.

13. MCUD proposes to enter a loan agreement with KIA for \$1,105,016 to be repaid over a 20-year period at an interest rate of 1 percent per annum.

14. The proposed loan agreement with KIA is for a lawful object within MCUD's corporate purposes, is necessary and appropriate for and consistent with MCUD's proper performance of its service to the public and will not impair MCUD's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

15. By subsequent Order in this case, the Commission will address the rates necessary to provide the utility with an opportunity to recover its reasonable operating costs and service its debt.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that the *public convenience and necessity* require the construction of the proposed project.

IT IS THEREFORE ORDERED that:

1. MCUD is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction as set forth in its application.

2. MCUD is authorized to enter into a loan agreement with the KIA for an amount not to exceed \$1,105,016 with a term of 20 years at an interest rate of 1 percent per annum.

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<sup>3</sup> The original loan was limited to \$1,004,560. MCUD has obtained an additional KIA loan of \$100,456.

3. MCUD shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

4. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

5. MCUD shall furnish documentation of the total costs of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), within 60 days of the date that construction 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.

6. MCUD shall file with the Commission 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.

7. MCUD shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil, electrical, 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.

8. MCUD shall notify the Commission 7 days prior to the actual start of construction and at the 50-percent completion point.

9. MCUD shall advise the Commission in writing of the final terms of the loan agreement within 30 days of the execution date.

10. MCUD shall use the proceeds from its proposed loan agreement with KIA only for the purposes set forth in its application.

11. MCUD's application for a rate increase is continued generally.

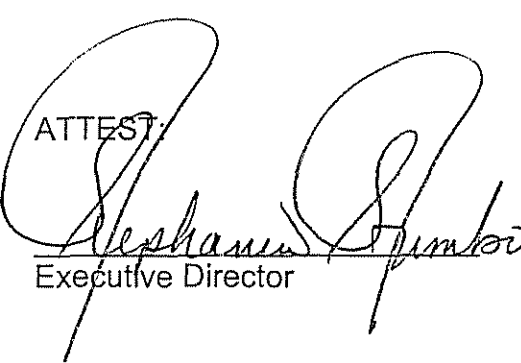
12. Nothing in this Order shall be construed as approval of any portion of MCUD's application other than the Certificate and authorization to enter into a loan agreement with the KIA.

Nothing contained herein shall be deemed a warranty or guarantee of the Commonwealth of Kentucky, or any agency thereof, of the evidences of indebtedness authorized herein.

Done at Frankfort, Kentucky, this 27th day of August, 2008.

By the Commission

ATTEST:

  
Executive Director