

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST CASEY COUNTY)
WATER DISTRICT FOR APPROVAL OF) CASE NO. 2013-00155
FINANCING AND ISSUANCE OF A CERTIFICATE)
OF CONVENIENCE AND NECESSITY)

ORDER

East Casey County Water District ("East Casey District") has applied for a Certificate of Public Convenience and Necessity ("Certificate") to construct a water facilities improvement project and for authorization to borrow \$1,545,000 from the Kentucky Infrastructure Authority ("KIA").

Having reviewed the application and being otherwise sufficiently advised,¹ the Commission finds that:

1. East Casey District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water to approximately 4,418 customers in Casey and Lincoln counties, Kentucky.²

2. East Casey District proposes to construct approximately 2,350 linear feet of 6-inch polyvinyl chloride ("PVC") water distribution main, 6,500 linear feet of 4-inch PVC water distribution main, 1,000 linear feet of 4-inch ductile iron water distribution

¹ East Casey District tendered its application on April 18, 2013. In its application, it requested a deviation from 807 KAR 5:001, Section 17(2), because the application did not contain a financial exhibit for a 12-month period that ended within 90 days of the application's submission. On May 14, 2013, the Commission granted the deviation and accepted the application for filing. No persons have sought intervention in this matter. The utility has not requested a hearing on its application.

² *Annual Report of East Casey County Water District to the Public Service Commission of Kentucky for the Year Ending December 31, 2011* at 5 and 27.

main, 50,000 linear feet of 3-inch PVC water distribution main, a 200,000-gallon ground storage tank, two hydro-pneumatic tanks, and pumping facilities.

3. The proposed project will provide water service to approximately 35 unserved households along various roads in rural areas of Casey County. These households presently receive their water supply from private wells, springs, and cisterns.³ The Lake Cumberland District Health Department has conducted sampling and analysis of these sources throughout the system and found many of them unfit for human consumption.⁴

4. The proposed tank will address system pressure problems and ensure an adequate supply of water during peak demand periods. East Casey District is currently experiencing problems with significant reduction in the water levels of its existing tanks during peak demand periods.⁵

5. East Casey District currently has seven water-storage tanks in operation with a total capacity of 802,000 gallons.⁶

6. Kenvirons, Inc. of Frankfort, Kentucky prepared the plans and specifications for the proposed project.

³ The record contains conflicting evidence regarding the total number of households that will receive service as a result of the project. In its application, East Casey District states that 35 households will be added. App. Ex. A. The same number appears in East Casey District's preliminary engineering report and in the KIA Assistance Agreement documents. In its application to the Kentucky Division of Water, however, East Casey District states that 44 households would be added.

⁴ Kenvirons, Inc., Preliminary Engineering Report for East Casey County Water District: Various Water Line Extensions (WX21045012) (Feb. 2011) § 5.0.

⁵ Water Resource Information System, Drinking Water Project Profile No. WX21045012 (June 1, 2013 8:44 PM), <http://wris.ky.gov/Portal/DwPrjData/WX21045012>.

⁶ Kentucky Infrastructure Authority, *Kentucky Water Management Plan* (Feb. 2013) at 496, available at http://kia.ky.gov/NR/rdonlyres/0EA60FCC-43AA-4D9F-B3F2-5AE8F866DCD4/0/DW_ManagementPlan_State_WebVersion2.pdf.

7. The Division of Water of the Kentucky Energy and Environment Cabinet has approved the plans and specifications for the proposed project with respect to sanitary features of design.⁷

8. The proposed construction will not result in wasteful duplication of existing facilities or inefficient investment.

9. The proposed construction does not conflict with the service of any other utility operating in the area.

10. The public convenience and necessity require the proposed construction.

11. Total construction cost of the project is \$1,044,693.

12. Total cost of the proposed project, including legal fees, engineering, inspection and design fees, and contingencies, is approximately \$1,545,000.

13. East Casey District proposes to finance the proposed project with a loan of \$1,545,000 from KIA.

14. KIA has offered to lend East Casey District \$1,545,000 for the proposed project with repayment over a period not to exceed 20 years at an interest rate of 1 percent per annum and with a 35 percent principal forgiveness.⁸ The unforgiven principal amount of the loan will be no greater than \$1,004,250.

15. The proposed loan with KIA is for lawful objects within East Casey District's corporate purpose, is necessary, appropriate for and consistent with the proper performance of East Casey District's service to the public, will not impair East Casey

⁷ Letter from Mark Rasche, Supervisor, Drinking Water Branch, Kentucky Division of Water, to Andy Greynolds, Manager, East Casey County Water District (Nov. 16, 2012).

⁸ Kentucky Infrastructure Authority, Minutes of Full Board Meeting (Nov. 10, 2011) at 6.

District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. East Casey District is granted a Certificate to proceed with the proposed construction as set forth in its application.

2. East Casey 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. East Casey 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, administrative), within 60 days of the date that construction is substantially completed.

5. East Casey District shall classify construction costs into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

6. East Casey 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.

7. East Casey District 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. East Casey District is authorized to execute an Assistance Agreement with KIA to borrow an amount not to exceed \$1,545,000 to be repaid over a period not to exceed 20 years at an interest rate of 1 percent per annum and with a 35 percent principal forgiveness.

9. Within 30 days of executing its proposed Assistance Agreement with KIA, East Casey District shall file a copy of the executed Assistance Agreement and any documents referenced in the Assistance Agreement that East Casey District has not previously filed with the Commission.

10. East Casey District shall use the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its application.

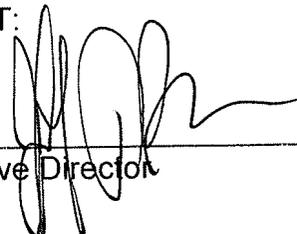
11. Any documents filed in the future pursuant to ordering paragraphs 4, 6, and 9 shall reference this case number and shall be retained in the utility's general correspondence file.

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 authorized herein.

By the Commission

ENTERED ⁷¹
JUN 07 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2013-00155

Honorable John N Hughes
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