

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HENRY COUNTY WATER)	CASE NO.
DISTRICT NO. 2 FOR A CERTIFICATE OF)	2013-00331
PUBLIC CONVENIENCE AND NECESSITY TO)	
CONSTRUCT A WATER IMPROVEMENT)	
PROJECT PURSUANT TO KRS 278.020 AND 807)	
KAR 5:001)	

ORDER

Henry County Water District No. 2 ("Henry District") has applied for a Certificate of Public Convenience and Necessity ("Certificate") to construct a water improvement project and for authorization to execute a long-term loan agreement with Kentucky Infrastructure Authority ("KIA") to borrow \$2,855,000. Having reviewed the evidence of record and being otherwise sufficiently advised,¹ the Commission finds that:

1. Henry District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that treat and distribute water to approximately 6,343 customers in portions of Carroll, Henry, Oldham, Shelby, and Trimble counties, Kentucky.²

¹ Henry District tendered its application on September 3, 2013. In its application, Henry District requested a deviation from 807 KAR 5:001, Section 17. On October 3, 2013, the Commission authorized Henry District to deviate from the regulation in question and accepted Henry District's application for filing. No persons or entities have intervened in this matter. Henry District has not requested a hearing on its application. The Commission finds the record is complete.

² *Annual Report of Henry County Water District No. 2 to the Public Service Commission of Kentucky for the Year Ending December 31, 2012* at 5 and 27.

2. Henry District proposes to construct approximately 22,000 linear feet of 20-inch ductile iron water transmission main³ to replace an existing 25-year-old 12-inch polyvinyl chloride water transmission main that connects Henry District's water treatment plant to the nearest water storage tank and Henry District's water distribution system.

3. The existing water transmission main was poorly installed, with inadequate bedding, and has been subject to frequent breaks in recent years. Since 2004, 35 breaks in the main have occurred.⁴ Given this main's critical location, any break in this main effectively cuts Henry District's treated water supply from its distribution system and increases the likelihood of service outages.

4. The proposed transmission main runs parallel to Morton Ridge Road (Kentucky Highway 2868) for approximately three miles to U.S. Highway 42 and then southward approximately one mile along U.S. Highway 42 to Henry District's elevated storage tank.⁵

5. The proposed transmission main will improve system reliability and enhance the continuity of service.

6. Tetra Tech, Inc. of Lexington, Kentucky, prepared the plans and specifications for the proposed project.

³ The Water Resource Information System has designated this project as WRIS No. WX21103039.

⁴ Application App. A.

⁵ *Id.*

7. The Kentucky Division of Water has approved the plans and specifications for the proposed project.⁶

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

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

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

11. Total cost of the proposed project, including administrative expenses, legal expenses, engineering fees, construction cost, and contingencies, is approximately \$3,340,000.⁷

12. Total construction cost of the proposed project is \$2,114,800.⁸

13. Henry District proposes to execute an Assistance Agreement with KIA to borrow \$2,855,000 to be repaid over a period not to exceed 20 years at an interest rate of 1.75 percent per annum.

14. Henry District proposes to finance the proposed project with the proceeds of the proposed KIA and with local funds in the amount of \$485,000.⁹

15. After executing the Assistance Agreement and drawing the loan funds, Henry District will be able to meet its debt service payments and maintain its debt

⁶ Letter from Mark Rasche, Supervisor, Division of Water, to James T. Simpson, General Manager, Henry County Water District No. 2 (July 29, 2013).

⁷ Application ¶ 6.

⁸ Letter from Herbert R. Lemaster, Professional Engineer, to Dale Jennings, Chairman, Henry County Water District No. 2 (Sept. 23, 2013).

⁹ Henry District intends to use \$200,000 from available cash (Account 131) and \$285,000 from Other Special Deposits (Account 133). E-mail message from James T. Simpson, General Manager, Henry County Water District No. 2, to Gerald Wuetcher, Attorney, Public Service Commission (Oct. 18, 2013, 10:28 a.m. EDT).

service coverage requirements on all outstanding long-term debt with its existing rates until 2016.¹⁰

16. The proposed loan with KIA is for lawful objects within Henry District's corporate purpose, is necessary, appropriate for, and consistent with the proper performance of Henry District's service to the public, will not impair Henry District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

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

2. Henry 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. Henry District shall file with the Commission documentation of the total cost 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.

5. Henry 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

¹⁰ Application App. B

contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

6. Henry 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.

7. Henry District is authorized to execute an Assistance Agreement with KIA to borrow an amount not to exceed \$2,855,000 to be repaid over a period not to exceed 20 years at an interest rate of 1.75 percent per annum.

8. Within 30 days of executing its proposed Assistance Agreement with KIA, Henry District shall advise the Commission in writing of execution of that agreement and shall file a copy of that agreement with the Commission.

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

10. Any documents filed in the future pursuant to ordering paragraphs 2, 4, 5, and 8 shall reference this case number and shall be retained in the utility's general correspondence file.

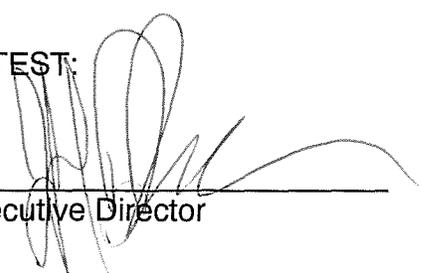
11. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon Henry District's showing of good cause for such extension.

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 authorized herein.

By the Commission

ENTERED ^{AT}
OCT 21 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Honorable D. Berry Baxter
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