

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WARREN COUNTY WATER	)	
DISTRICT, WARREN COUNTY, KENTUCKY (A)	)	
FOR A CERTIFICATE OF CONVENIENCE AND	)	
NECESSITY PURSUANT TO KRS 278.020	)	
AUTHORIZING SAID DISTRICT TO CONSTRUCT	)	
IMPROVEMENTS AND EXTENSIONS TO ITS	)	
EXISTING SEWER SYSTEM WHICH	)	
IMPROVEMENTS AND EXTENSIONS WILL BE	)	CASE NO. 2011-00418
FINANCED IN WHOLE OR IN PART UNDER THE	)	
TERMS OF AN AGREEMENT BETWEEN THE	)	
WATER DISTRICT AND THE KENTUCKY	)	
INFRASTRUCTURE AUTHORITY AND (B) FOR	)	
AUTHORITY TO ISSUE CERTAIN SECURITIES	)	
AS REQUIRED BY KRS 278.300	)	

ORDER

Warren County Water District ("Warren District") has applied for a Certificate of Public Convenience and Necessity to construct a sewer main extension, authorization to enter a loan agreement with the Kentucky Infrastructure Authority ("KIA"), and approval of a fee to recover a portion of the proposed main extension's cost. Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Warren District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that collect and transport sewage for approximately 4,368 customers in Warren County, Kentucky.<sup>1</sup>

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<sup>1</sup> Report of Warren County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2010 at 1 and 12.

2. Warren District proposes to construct approximately 2,801 linear feet of 15-inch polyvinylchloride ("PVC") gravity sewer main, 4,898 linear feet of 12-inch PVC gravity sewer main, 2,517 linear feet of 8-inch PVC gravity sewer main, and 320 linear feet of 6-inch PVC lateral sewer main located south of Bowling Green, Kentucky on U.S. Highway 31W.<sup>2</sup>

3. The proposed sewer main will connect to an existing gravity sewer main near a Warren District wastewater pumping station adjacent to Kentucky Highway 242, approximately 0.33 miles east of U.S. Highway 31W. From this point, a 15-inch sewer main will extend approximately 3,000 feet westerly to a point near the intersection of U.S. Highway 31W and Kentucky Highway 242, then southerly adjacent to U.S. Highway 31W to a point. From that point, a 12-inch sewer main will continue adjacent to U.S. Highway 31W approximately 4,400 feet. An 8-inch private sewer main will extend from the end of the 12-inch sewer main, easterly, approximately 2,500 feet into Michael O. Buchanan Park ("Buchanon Park").<sup>3</sup>

4. The proposed sewer main is intended to serve Buchanon Park and several properties along U.S. Highway 31W.

5. No public or municipal utility currently operates any sewage collection or treatment facilities in the area in which the proposed sewer main is to be located.

6. Warren County Fiscal Court owns and operates Buchanon Park.

7. Wastewater from Buchanon Park is currently treated onsite by a septic tank and leach field. These facilities require significant maintenance and are no longer

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<sup>2</sup> These amounts are derived from Warren District's bid specifications and vary slightly from those set forth in the project description in the construction permit that the Kentucky Division of Water issued for the proposed construction project.

<sup>3</sup> *Engineering Report at 2.*

operating at an optimum level. They also pose an obstacle to the construction and expansion of recreational facilities at the park.<sup>4</sup>

8. Estimated wastewater currently produced at the Buchanon Park site is approximately 2,000 gallons per day.<sup>5</sup>

9. The majority of the area along which the proposed sewer main will be located is presently zoned for agricultural use. Some portions are zoned for highway business or residential purposes. Warren District anticipates the zoning for significant portions of the area to be reclassified as residential upon the availability of sewage collection mains.<sup>6</sup>

10. Warren District estimates that, upon the construction of the proposed sewer main and zoning reclassification of the property along the route of the proposed sewer main, approximately 1,080 residential units will require sewage collection and treatment services. It further estimates these units to produce approximately 160,000 gallons of wastewater daily.<sup>7</sup>

11. The lift station and force main that will receive wastewater flows from the proposed sewer main have adequate capacity to accommodate the future projected wastewater flow of 160,000 gallons per day.

12. Warren District has a contract with Bowling Green Municipal Utilities ("BGMU") for sewage treatment services. BGMU's wastewater treatment facility has a

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<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*; Warren County Water District's Response to Commission Staff's First Information Request, Items 4 and 15.

<sup>7</sup> Warren County Water District's Response to Commission Staff's First Information Request, Item 4.

treatment capacity of 10.6 million gallons of wastewater per day and is currently undergoing an expansion that will increase its treatment capacity to 12 million gallons per day.<sup>8</sup>

13. BGMU's wastewater treatment facility has adequate capacity to receive wastewater from existing customers and the proposed project.

14. Total estimated cost of the proposed sewer main, including engineering and construction costs and contingencies, is \$1,136,300.<sup>9</sup>

15. Approximately \$170,240 of the total estimated cost represents the cost of constructing the segment of the proposed sewer main that is located within Buchanan Park and that will exclusively serve that park. This segment consists of 2,461 linear feet of 8-inch PVC gravity sewer main and 40 linear feet of 6-inch PVC lateral sewer main.<sup>10</sup>

16. Warren District proposes to finance the cost of the proposed facility with a loan of \$823,900 from KIA; a contribution of \$170,240 from Warren Fiscal Court; and internal funds of \$142,160 from its depreciation reserve account.

17. Warren District has selected Twin States Utilities and Excavating, Inc., which submitted the lowest bid, to construct the proposed project.<sup>11</sup>

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

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<sup>8</sup> *Engineering Report* at 1.

<sup>9</sup> *Id.* at 3.

<sup>10</sup> Warren County Water District's Response to Commission Staff's First Information Request, Item 10; Application, Exhibit C at 3.

<sup>11</sup> *Engineering Report*, App. A; Warren County Water District's Response to Commission Staff's First Information Request, Item 5(b).

19. The Kentucky Division of Water has approved the plans and specifications for the proposed sewer main extension.<sup>12</sup>

20. Construction of the proposed sewer main extension will not result in the wasteful duplication of or excessive investment in utility facilities.

21. The public convenience and necessity require the construction of the proposed sewer main extension.

22. Warren District proposes to enter a loan agreement with KIA to borrow \$823,900. The proceeds of this agreement will be used to finance the cost of the proposed sewer main and must be repaid over a 20-year period at an interest rate of 3 percent per annum.

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

24. To pay the cost of servicing the proposed KIA loan, Warren District proposes to assess, beginning January 1, 2012, a fee to all persons connecting to the proposed sewer main and located in an area designated as the "Buchanon Park Sewer Interceptor Capital Recovery Area." The size of the water meter serving the connecting party's property will determine the amount of this fee.

25. The proposed fee is a rate that is subject to Commission jurisdiction.

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<sup>12</sup> Letter from George Goode, Water Infrastructure Branch, Kentucky Division of Water, to Bryan Tillery, Professional Engineer, Warren County Water District (Oct. 18, 2011) (filed on Oct. 31, 2011).

26. Further investigation into the reasonableness of the proposed fee is required. Such investigation cannot be completed prior to the date on which Warren District proposed to place the fee into effect. Therefore, the proposed fee should be suspended in accordance with KRS 278.190(2).

IT IS THEREFORE ORDERED that:

1. Warren District is granted a Certificate of Public Convenience and Necessity to proceed with the proposed sewer main as set forth in its application.

2. Warren 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. Warren District 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.

5. Warren District 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.

6. Warren District shall require the 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. Warren District shall notify the Commission seven days prior to the actual start of construction and at the 50 percent completion point.

8. Warren District is authorized to enter into a loan agreement with the KIA for an amount not to exceed \$823,900 with a term of 20 years at an interest rate of 3 percent per annum.

9. Within 30 days of executing its proposed loan agreement with KIA, Warren District shall advise the Commission in writing of execution of that agreement and of any terms in that loan agreement that differ from those described in Warren District's application.

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

11. The operation of the proposed Buchanan Park Sewer Interceptor Capital Recovery Area Contribution Fee is suspended for a period of five months, from January 1, 2012 up to and including May 31, 2012.

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.

By the Commission

ENTERED  
DEC 08 2011  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2011-00418

Frank Hampton Moore, Jr.  
COLE & MOORE  
921 College Street - Phoenix Place  
P. O. Box 10240  
Bowling Green, KENTUCKY 42102-7240

Alan Vilines  
General Manager  
Warren County Water District  
523 US Highway 31W Bypass  
P. O. Box 10180  
Bowling Green, KY 42102-4780