

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE HENDERSON COUNTY)	
WATER DISTRICT FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2012-00352
CONSTRUCT AND FINANCE PURSUANT TO)	
KRS 278.023)	

ORDER

On July 26, 2012, Henderson County Water District (“Henderson”) applied to the Commission for a Certificate of Public Convenience and Necessity to construct a \$1,695,000 waterworks improvement project and for approval of its plan to finance the proposed project.

Henderson proposes to construct or install approximately 32,000 linear feet of 10-inch polyvinylchloride (“PVC”) water main to replace existing 8-inch asbestos cement (“AC”) water main, and to replace an existing booster pumping station (“BPS”) and related appurtenances.¹ The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is \$1,695,000. Henderson states that the proposed project will improve water supply along U.S. Highway 60 East to the communities of Reed, Spottsville, and Basket by replacing an AC water main that has a history of breaks and suspected leakage. The proposed project also involves the

¹ In its application, Henderson, *inter alia*, requests a Certificate of Public Convenience and Necessity for a project consisting of “the replacement of approximately 49,000 linear feet of 8-inch water main with new 10-inch PVC water main and appurtenances” App. at 1. The Final Engineering Report states that Henderson plans “to install approximately 32,000 linear feet of 10” PVC waterline. . . .” Final Engineering Report at 1. For purposes of this Order, we find the Project to involve the installation of approximately 32,000 linear feet of 10-inch PVC water main, not 49,000 linear feet.

relocation of a BPS above the reservoir level, which will permit easier access and eliminate the risk of an embankment failure.

Henderson proposes to finance the proposed construction from the proceeds of the issuance of \$1,695,000 of revenue bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 3.75 percent per annum.

Henderson has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1) and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Henderson or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water district's proposed facilities will result in the wasteful duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable.

Henderson's application met the minimum filing requirements of KRS 278.023 on July 26, 2012. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

IT IS THEREFORE ORDERED that:

1. Henderson is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. Henderson's proposed plan of financing is accepted.

3. Henderson is authorized to issue \$1,695,000 of Henderson Water District Waterworks Revenue Bonds, at an interest rate not exceeding 3.75 percent per annum, maturing over 40 years.

4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Henderson's application.

5. Notwithstanding ordering paragraph 4, if surplus funds remain after the approved construction has been completed, Henderson may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction will not result in a change in Henderson's rates for service. Henderson shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Henderson shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

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

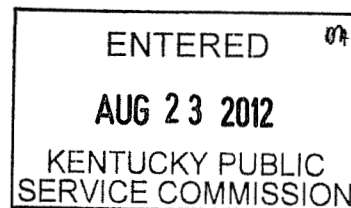
8. Henderson shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Henderson shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

9. Henderson shall notify the Commission one week prior to the actual start of construction and at the 50-percent completion point.

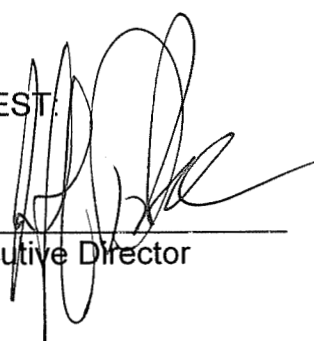
10. Any documents filed in the future pursuant to ordering paragraphs 5, 6, or 9 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

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

By the Commission



ATTEST.



Executive Director

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