

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY	)	
WATER DISTRICT FOR APPROVAL OF THE FT.	)	
THOMAS TREATMENT PLANT RAW WATER	)	CASE NO.
MAIN EXTENSION, ISSUANCE OF A	)	2014-00100
CERTIFICATE OF CONVENIENCE AND	)	
NECESSITY AND APPROVAL OF FINANCING	)	

ORDER

Northern Kentucky Water District (“Northern District”) has applied for a Certificate of Public Convenience and Necessity (“CPCN”) to construct an extension of the raw main serving the Fort Thomas Treatment Plant and for approval of a plan to finance the proposed extension.

Having reviewed the application and being otherwise sufficiently advised,<sup>1</sup> the Commission finds that:

1. Northern District, a water district organized under KRS Chapter 74, provides retail water service to approximately 80,753 customers in Boone, Campbell, and Kenton counties, Kentucky, and wholesale water service to the city of Walton, Kentucky, Pendleton County Water District and Bullock Pen Water District.<sup>2</sup>

2. Northern District proposes to construct approximately 2,270 linear feet of 36-inch raw water main and approximately 2,000 linear feet of 6-inch water main and

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<sup>1</sup> Northern District’s initial application, which was received on March 31, 2014, was supplemented and considered filed with the Commission on April 8, 2014. No person has sought intervention in this matter. Northern District has not requested a hearing in this matter. The Commission has received no requests for hearing and finds the record complete.

<sup>2</sup> *Annual Report of Northern Kentucky Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2013* at 5, 27, and 30.

appurtenances extending from the Pretreatment Building to the South Reservoir outlet structure of Northern District's Fort Thomas Treatment Plant in the city of Fort Thomas, Campbell County, Kentucky. The 36-inch raw water main may be constructed of materials that include ductile iron, polyvinyl chloride ("PVC"), steel or high-density polyethylene ("HDPE"), while the 6-inch water main may be constructed of materials that include ductile iron or PVC. This project also includes the installation of approximately 1,120 linear feet of 12-, 18-, 24-, and 30-inch HDPE storm sewer pipe.

3. The proposed 36-inch raw water main runs in parallel to an existing 30-inch raw water main which extends from the Pretreatment Building to the South Reservoir outlet structure of Northern District's Fort Thomas Treatment Plant. Northern District asserts that the existing 30-inch raw water main is insufficient under high-demand conditions. Northern District further asserts that the proposed 36-inch raw water main will work in parallel with the existing 30-inch raw water main to provide raw water to the treatment plant while the North Reservoir is out of service. Further, the proposed 36-inch raw water main includes approximately 200 linear feet of reservoir bypass line which routes raw water directly to the treatment plant in situations when both reservoirs need be bypassed and allows full plant capacity which is currently not available with the existing 30-inch raw water main.<sup>3</sup>

4. Total cost of the proposed project, including engineering, construction, miscellaneous, and contingencies costs, is approximately \$1,424,000.

5. Burgess & Niple, Inc. of Cincinnati, Ohio, prepared the plans and specifications for the proposed project.

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<sup>3</sup> Application, Project Description.

6. The Kentucky Division of Water (“KDOW”) has approved the plans and specifications for the proposed project.<sup>4</sup>

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

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

9. Public convenience and necessity require the proposed construction, which allows Northern District to continue to provide reliable and adequate water service to its customers.

10. Northern District intends to finance the proposed construction project with \$496,000 of its internally generated funds and a State Revolving Fund Loan from the Kentucky Infrastructure Authority (“KIA”) in the amount of \$928,000.<sup>5</sup>

11. On May 2, 2013, the KIA approved a loan of \$4 million from the Drinking Water State Revolving Fund to finance the proposed project and two other water improvements projects (PSC Ref. No. 212 & 128).<sup>6</sup> KIA offered to provide a loan to be repaid over a 20-year term at an interest rate of 1.75 percent per annum.<sup>7</sup>

12. KIA has placed as a condition to the loan that Northern District execute an Assistance Agreement with KIA no later than May 6, 2014.

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<sup>4</sup> Letter from Mark Rasche, Professional Engineer, Supervisor, Engineering Section, Water Infrastructure Branch, KDOW, to Jeff Schuchter, Northern Kentucky Water Service (November 15, 2013). Application at Exhibit B.3

<sup>5</sup> Application at paragraph 5.

<sup>6</sup> Application at paragraph 7 and Exhibit D.

<sup>7</sup> Letter from Sandy Williams, Financial Analyst, Kentucky Infrastructure Authority to C. Ronald Lovan, P.E. President/CEO, Northern Kentucky Water District (May 6, 2013), Application at Exhibit D.

13. Northern District's failure to execute the proposed Assistance Agreement with KIA by May 6, 2014, will result in the rescission of KIA's commitment to fund the said projects.

14. Except for the portion of the projects set forth in its current application, Northern District has not yet applied for a CPCN for the remaining projects.

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

16. No determination is made in this Order regarding the need for or reasonableness of the other two projects that are not included in this Application, nor is the use of any proceeds from Northern District's proposed KIA loan for those improvements authorized until and unless Northern District is granted a CPCN to construct such improvements.

17. In Exhibit D of its application, NKWD attached a copy of its Kentucky Gross Operating Revenue Report that revealed its federal tax identification number. The federal tax identification number is considered confidential and exempted from disclosure under the Kentucky Open Records Act.<sup>8</sup>

IT IS THEREFORE ORDERED that:

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

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<sup>8</sup> KY. OAG 04-ORD-010 (Jan. 14, 2004); Ky. OAG 79-272 (Mar. 27, 1979).

2. Northern 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. Northern 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. 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. Northern 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.

6. Northern District shall require construction to be inspected under the general supervision of a licensed 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.

7. Northern District is authorized to enter the proposed Assistance Agreement with KIA and, under the terms of that Agreement, to borrow from the KIA an amount not to exceed \$4 million to be repaid over a 20-year period at an interest rate of 1.75 percent per annum.

8. Within 30 days of executing its proposed Assistance Agreement with KIA, Northern District shall file with the Commission an executed copy of the Assistance Agreement.

9. Northern District shall use the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its application. None of the proceeds, however, shall be used for the construction of any of the improvements that make up the TMTP Electrical & Basin improvements and 36" Licking River Crossing, or any other project except those clearly identified in Northern District's Application in this proceeding, unless and until Northern District is granted a CPCN to construct such improvements.

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 correspondence file.

11. The federal tax identification number in Exhibit D of NKWD's application shall be afforded confidential treatment for an indefinite period of time and a redacted copy of the document shall be placed in the main public case file.

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

By the Commission

ENTERED <sup>#1</sup>  
MAY 01 2014  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

*Carroll D. Dovern*  
Executive Director

Case No. 2014-00100

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