

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY	)	
WATER DISTRICT FOR APPROVAL OF THE	)	
TAYLOR MILL TREATMENT PLANT BASIN AND	)	CASE NO.
ELECTRICAL REPAIRS, ISSUANCE OF A	)	2014-00151
CERTIFICATE OF CONVENIENCE AND	)	
NECESSITY AND APPROVAL OF FINANCING	)	

ORDER

Northern Kentucky Water District ("NKWD") has applied for a Certificate of Public Convenience and Necessity ("CPCN") to construct electrical and basin improvements to the Taylor Mill Treatment Plant and for approval of its plan to finance the proposed construction.

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

1. NKWD, 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>1</sup>

2. NKWD's initial application, which was received on May 1, 2014, was supplemented and accepted as filed with the Commission on May 13, 2014. No person has sought intervention in this matter. NKWD has not requested a hearing in this matter, and the Commission finds the record complete.

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<sup>1</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.

3. NKWD's project includes the structural rehabilitation of the north and south sedimentation basins, tunnel housing, and filter building at the water treatment plant. The work consists of: the replacement of deteriorated concrete with new concrete in walls and elevated slabs; crack repair in basin floors and walls; installation of new seals at all 12 vertical expansion joints in both basins; the repair of corroded metal and the recoating of rake arms in both basins; and the replacement of the roof and skylights in the filter building.<sup>2</sup>

NKWD asserts that these improvements will extend the service life of both sedimentation basins by approximately ten years.<sup>3</sup> Additionally, NKWD proposes to replace the existing tube settler modules at both sedimentation basins and to install a protective grating system. NKWD also proposes to install ventilation equipment at the Filter Building Pump Room and electrical switchgear Mezzanine, and air conditioning equipment at the electrical room located on the third floor of the Filter Building.<sup>4</sup>

NKWD further proposes to replace the aging motor starters for the six high-service pumps at the treatment plant. Four of the six motor starters are located outside. The motor starters start the high-service pumps that provide water service to approximately 60 percent of NKWD's customers. All new solid-state reduced-voltage motor starters will be housed on the third floor of the Filter Building. In addition, NKWD proposes to convert two of the existing six high-service pumps, Pumps No. 5 and No. 6, from constant-speed to variable-frequency drives ("VFD"). NKWD asserts that this

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<sup>2</sup> Application, Item 5.

<sup>3</sup> *Id.*, Project Description.

<sup>4</sup> *Id.*, Exhibit A, NKWD, Taylor Mill Treatment Plant Electrical and Basin Improvements, Engineering Reports and Information.

improvement will enable the pumps to operate over a wide range of flows rather than one flow rate, increasing flexibility in the treatment process and in filling the Dudley Tanks.<sup>5</sup> NKWD further asserts that the estimated annual power savings due to the installation of the VFD on Pumps No. 5 and No. 6 is approximately \$20,000.<sup>6</sup> Also included in this project is the replacement of four of the six high-service pumps of the Taylor Mill Treatment Plant due to age.<sup>7</sup>

4. The total cost of the proposed project, including engineering costs, construction costs, and miscellaneous and contingency costs, is approximately \$4 million.

5. ARCADIS U.S., Inc. of Cincinnati, Ohio, prepared the plans and specifications for the proposed project.

6. The Kentucky Division of Water ("KDOW") has approved the plans and specifications for the proposed project.<sup>8</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.

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<sup>5</sup> *Id.*, Project Description.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*, Item 5.

<sup>8</sup> Letter from Mark Rasche, Professional Engineer, Supervisor, Engineering Section, Water Infrastructure Branch, KDOW, to Amy Kramer, Northern Kentucky Water District (Feb. 24, 2014), Application at Exhibit B.

9. Public convenience and necessity require the proposed construction to allow NKWD to continue to provide reliable and adequate water service to its customers.

10. NKWD intends to finance the proposed project with a State Revolving Fund Loan from the Kentucky Infrastructure Authority ("KIA") in the amount of \$1 million, internally generated funds in the amount of \$2.483 million, and \$517,000 from contingencies left over from Bond Anticipation Note 2011.<sup>9</sup>

11. In Case No. 2014-00100,<sup>10</sup> the Commission granted NKWD a CPCN to construct an extension of the raw water main serving the Fort Thomas Treatment Plant. The Commission also authorized NKWD to enter an Assistance Agreement to borrow from 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 to finance the raw water main to Fort Thomas Treatment Plant and two additional projects: Taylor Mill Treatment Plant ("TMTP") Electrical & Basin Improvements, and the 36" Licking River Crossing. In that proceeding, the Commission explained that it would not authorize disbursement of any funds to NKWD for the TMTP Electrical & Basin Improvements, the 36" Licking River Crossing, or any other project until the Commission has issued a CPCN for that specific project.

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<sup>9</sup> Application at Item 5.

<sup>10</sup> Case No. 2014-00100, Application of Northern Kentucky Water District for Approval of the Ft. Thomas Treatment Plant Raw Water Main Extension, Issuance of a Certificate of Convenience and Necessity and Approval of Financing (Ky. PSC May 1, 2014).

12. KIA extended the time period for executing the Assistance Agreement to November 6, 2014.<sup>11</sup>

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

14. Except for the portion of the project set forth in its current application, NKWD has not yet applied for a CPCN for the 36" Licking River Crossing.

15. The proposed Assistance Agreement with KIA was previously approved by the Commission by Order entered May 1, 2014, in Case No. 2014-00100. We now find that NKWD should be authorized to utilize \$1 million of the proceeds of that financing on the project approved herein.

IT IS THEREFORE ORDERED that:

1. NKWD is granted a CPCN to proceed with the proposed construction as set forth in its Application.

2. NKWD 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. NKWD 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, and administrative) within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant

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<sup>11</sup> *Id.*, Letter from John Covington, III, Executive Director, Kentucky Infrastructure Authority, to C. Ronald Lovan, President/CEO, Northern Kentucky Water District (May 2, 2014).

accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

5. NKWD 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. NKWD 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.

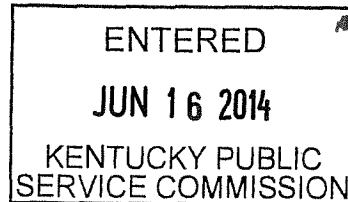
7. NKWD shall use \$1 million of the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its Application and the project approved in Case No. 2014-00100. None of the proceeds, however, shall be used for the construction of the 36" Licking River Crossing, or any other project not approved by the Commission, except those clearly identified in NKWD's Application in this proceeding, unless and until NKWD is granted a CPCN to construct such improvements.

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

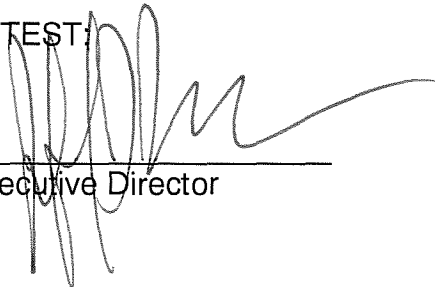
9. Any documents filed in the future pursuant to ordering paragraphs 2, 4, 5, and 8 shall reference this case number and shall be retained in the utility's general correspondence file.

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

By the Commission



ATTEST:

  
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Executive Director

Case No. 2014-00151

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