

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)	
WATER DISTRICT FOR APPROVAL OF THE)	CASE NO.
REPLACEMENT OF THE LUMLEY WATER)	2015-00295
TANK, ISSUANCE OF A 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 a waterworks improvements project and for approval of its plan to finance the proposed project.

Northern District submitted an application for a CPCN and approval of financing on September 3, 2015. The application was supplemented and accepted as complete on September 14, 2015. No person has sought intervention in this matter. Northern District has not requested a hearing in this matter.

Northern District, a water district organized under KRS Chapter 74, provides retail water service to approximately 81,171 customers in Boone, Campbell, and Kenton counties, Kentucky, and wholesale water service to Bullock Pen Water District, the city of Walton, and Pendleton County Water District.¹

This CPCN is for the removal of the existing 80-year-old, obsolete, 275,000-gallon water storage tank and to replace it with a 400,000-gallon multi-column elevated

¹ *Annual Report of Northern Kentucky Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2014* at 14, 56, and 63.

water storage tank.² The existing 275,000-gallon elevated Lumley Tank storage tank was built in 1936, and is at the end of its useful life.³

Northern District's 2008 Asset Management Program recommended providing 240,000 gallons of additional storage in the portion of the service area serviced by the Lumley Tank and the Rossford Tank. This project will provide 125,000 gallons of the additional storage. The remaining 115,000 gallons will be added in the future when the Rossford Tank is replaced.⁴

The total cost of the proposed project, including administrative, legal, engineering, construction, and contingencies costs is approximately \$2 million. This project will be paid from the Northern District's Five-Year Capital Budget.⁵

Northern District intends to finance this project with \$800,000 from a \$4 million Drinking Water State Revolving Fund ("SRF") loan,⁶ approved by the Kentucky Infrastructure Authority ("KIA") on November 6, 2014. The SRF loan is to be repaid over a 20-year term at an interest rate of 1.75 percent per annum with a loan servicing fee of 0.25 percent of the annual outstanding loan balance payable to KIA with each interest payment. Northern District is to execute an Assistance Agreement with KIA for this loan no later than November 6, 2015, or apply for a six-month extension to

² Application, paragraph 5.

³ *Id.*, Exhibit A.

⁴ *Id.*

⁵ *Id.*, paragraph 6.

⁶ *Id.*

execute an Assistance Agreement, or allow KIA to rescind funding of the project. The remaining \$3,200,000 will be used to finance five other projects.⁷

Northern District will finance the remaining \$1.2 million for this project from a future Bond Anticipation Note ("BAN").⁸

GRW, Inc. of Lexington, Kentucky, prepared the plans and specifications for the proposed project.⁹

The Kentucky Division of Water ("KDOW") approved the plans and specifications for the proposed project of a 500,000-gallon elevated water-storage tank on June 24, 2015.¹⁰ GRW Engineers requested KDOW to modify this construction permit for the construction of a 400,000-gallon elevated water-storage tank on August 27, 2015. KDOW revised its approval to a 400,000-gallon elevated water-storage tank on August 31, 2015.¹¹

Northern District opened bids for this project on August 6, 2015. Bids are subject to acceptance for 90 days. The bids on this project will expire on November 4, 2015.¹²

⁷ Northern District stated that "[m]ost of the [five other] projects are main replacements and are treated as ordinary extensions. Other projects requiring Commission approval funded by this loan will be submitted for approval as they are bid." *Id.*, paragraph 6. While Northern District stated that most of the five other projects are ordinary extensions, the record provided by this Application is not sufficient for the Commission to make such a determination.

⁸ *Id.*, paragraph 6.

⁹ *Id.*, Exhibit A.

¹⁰ *Id.*, Exhibit B.

¹¹ *Id.*

¹² *Id.*, paragraph 10.

Northern District states that the proposed improvements will enable it to continue to provide adequate service to its customers.¹³

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

1. The existing 275,000-gallon elevated Lumley water storage tank which was built in 1936 has reached the end of its useful life and should be replaced.

2. The proposed project consists of the removal of the existing water storage tank and replacing it with a 400,000-gallon multi-column elevated water storage tank.

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

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

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

6. KDOW has approved the plans and specifications for the proposed project.

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

¹³ *Id.*, paragraph 7.

8. Northern District should be authorized to utilize \$800,000 of the proceeds of the Assistance Agreement on the project approved herein.

9. Northern District has not yet applied for a CPCN for any of the five other projects identified in its request for approval of financing or demonstrated that any of the other projects are ordinary extensions. Northern District should not be authorized to utilize any of the proceeds for any other project unless and until Northern District obtains prior Commission approval for the use of the proceeds for any other project.

10. Furthermore, \$1.2 million of this project will be financed through a BAN, and Commission approval of the financing of this amount is not presently required. However, pursuant to KRS 278.300, Northern District should seek Commission approval before issuing any long-term revenue notes.

IT IS THEREFORE ORDERED that:

1. Northern District is granted a CPCN to proceed with the proposed construction as set forth in its application. This CPCN is only for the Lumley Tank portion of the Campbell and Kenton County Water Main and Storage Tank Improvements project.

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 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.

5. Northern District is authorized to enter the proposed Assistance Agreement with KIA and, under the terms of that 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.

6. 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. Northern District shall use \$800,000 of the proceeds from the proposed Assistance Agreement with KIA only for the project set forth in its application and approved by the Commission. None of the proceeds, however, shall be used for the construction of any other project unless and until Northern District obtains prior Commission approval for the use of the proceeds.

7. Northern District shall submit an application to the Commission prior to issuing any securities that require approval pursuant to KRS 278.300.

8. 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 authorized under this CPCN 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.

9. 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.

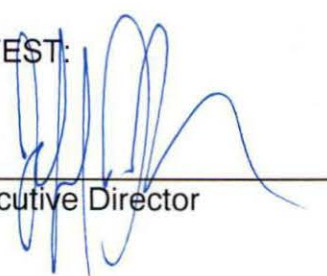
10. Any documents filed in the future pursuant to ordering paragraphs 2, 6, 8, and 9 shall reference this case number and shall be retained in the post case reference file.

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

By the Commission

ENTERED
NOV 04 2015
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



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