

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)	
WATER DISTRICT FOR APPROVAL OF THE)	CASE NO.
ISSUANCE OF A CERTIFICATE OF)	2016-00147
CONVENIENCE AND NECESSITY AND)	
APPROVAL OF FINANCING FOR LATONIA)	
LAKES PROJECT)	

ORDER

Northern Kentucky Water District ("Northern District") has applied for a Certificate of Public Convenience and Necessity ("CPCN") to construct water main improvements and for approval of its financing of the proposed project.

Northern District filed an application for a CPCN and approval of financing on April 25, 2016. The application was accepted for filing on April 28, 2016. The Commission issued its first request for information on May 11, 2016, and Northern District filed its response on May 20, 2016. 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, city of Walton, and Pendleton County Water District.¹

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.

The proposed project entails the replacement of 13,625 feet of 2-inch to 6-inch water main, with new 6-inch and 8-inch water main along 19 streets in the Latonia Lakesarea.² These water lines were installed circa 1960.³ The streets, formerly inside the dissolved city of Latonia Lakes, were not taken over by Kenton County when the city dissolved in 2006 because the streets did not meet county subdivision standards.⁴

The proposed project is part of a project bid by the Kenton County Fiscal Court (“Fiscal Court”) to improve streets in the Latonia Lakes area.⁵ Due to vibrations from equipment used in road construction and installation of storm sewers, the existing water lines may not survive the road construction.⁶ Replacement of the water lines was included in the Fiscal Court project. The total construction cost of the project as bid is \$2,996,000.⁷

This CPCN will address only the water line construction portion of the project. The water line portion of the bid is \$1,448,129.⁸ While the bid is the low bid for the overall project, it results in the highest construction cost for the water line construction. Northern District will cover the construction cost in an amount equal to the lowest water line portion bid, plus one-half of the difference between the lowest water line portion bid and the water line portion bid of the low-bid contractor. Northern District will cover the

² Application at 2.

³ Northern District’s response to Commission Staff’s First Request for Information (“Staff’s First Request”), Item 1.b.

⁴ *Id.*, Item 2.a.

⁵ Application at 11.

⁶ Northern District’s response to Staff’s First Request, Item 3.c.

⁷ Application, Exhibit C.

⁸ *Id.*

water line construction cost in the amount of \$1,373,973.25.⁹ Northern District estimates the cost would be \$268,492 more for road restoration costs if Northern District were to perform the water line replacements outside of the Fiscal Court project.¹⁰

The total construction cost of the proposed water improvement portion of the project, including engineering design, construction supervision, inspection, easement acquisition, and contingency, is \$1,856,415.¹¹

Northern District intends to finance this project with a \$1,500,000 loan from the Kentucky Infrastructure Authority ("KIA") Fund B and \$356,415 from Northern District's 2016 Operating Capital Budget Line #15-166E "Latonia Lakes WMR."¹²

This KIA loan is to be repaid over a 20-year term at an interest rate of 0.75 percent per annum, with a loan-servicing fee of 0.20 percent of the annual outstanding loan balance payable to KIA with each interest payment. Northern District received a one-year Conditional Commitment from KIA for this loan on February 5, 2015.¹³

Viox and Viox of Erlanger, KY prepared the plans and specifications for the proposed project.¹⁴ The plans and specification were approved by the Kentucky Division of Water on December 11, 2015.¹⁵

⁹ Application at 11 ($\$1,299,817.50 + ((\$1,448,129.00 - \$1,299,817.50)/2) = \$1,373,973.25$).

¹⁰ Northern District's response to Staff's First Request, Item 5.b.

¹¹ Application at 2.

¹² *Id.*

¹³ Application, Exhibit D.

¹⁴ Application, Exhibit A.

¹⁵ Application, Exhibit B.

The Fiscal Court opened bids for this project on March 15, 2016.¹⁶ Bids are subject to acceptance for 90 days. The bids on this project will expire on June 13, 2016.¹⁷

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

1. The record for this case is complete.
2. The proposed construction will not result in wasteful duplication of existing facilities.
3. The proposed construction does not conflict with any existing certificates or the service of any other utility operating in the area.
4. Public convenience and necessity require the proposed construction, which allows Northern District to provide reliable and adequate water service to its customers.
5. 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.
6. Northern District should be authorized to utilize \$1,500,000 of the proceeds of the Assistance Agreement on the project approved herein.

¹⁶ Application, Exhibit A.

¹⁷ Application at 3.

IT IS THEREFORE ORDERED that:

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

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 \$1,500,000 to be repaid over a 20-year period at an interest rate of 0.75 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 \$1,500,000 of 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 project not approved by the Commission, except those clearly identified in Northern District's application in this proceeding, unless and until Northern District obtains prior

Commission approval for the use of the proceeds. This shall be executed before any construction begins.

7. 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.

8. 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.

9. Any documents filed in the future pursuant to ordering paragraphs 2, 6, 7, and 8 shall reference this case number and shall be retained in the post case reference 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 Northern District's showing of good cause for such extension. Nothing contained herein shall be deemed a finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

By the Commission

ENTERED
MAY 31 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Acting Executive Director

Case No. 2016-00147

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