

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CLARK MCCOY, DEBBIE MCCOY, DAVID	)	
VARGO, PATRICIA VARGO, MIKE	)	
COCHRAN, IRENE COCHRAN, AND	)	
DARRELL OWENS	)	
	)	
	)	
COMPLAINANTS	)	
	)	
V.	)	CASE NO. 2013-00092
	)	
MOUNTAIN WATER DISTRICT	)	
	)	
	)	
DEFENDANT	)	

ORDER

Complainants and Defendant have jointly submitted to the Commission for our review and action a Joint Stipulation and Recommended Settlement. After careful review, we approve the Joint Stipulation and Recommended Settlement and dismiss this matter without prejudice.

Mountain Water District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water service to approximately 17,134 customers in Pike County, Kentucky,<sup>1</sup> and that provide sewer service to approximately 2,385 customers in Floyd and Pike counties, Kentucky.<sup>2</sup> It is a utility subject to

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<sup>1</sup> *Annual Report of Mountain Water District (Water Division) to the Public Service Commission of Kentucky for the Calendar Year Ending December 31, 2012* at 5, 27.

<sup>2</sup> *Annual Report of Mountain Water District (Sewer Division) to the Public Service Commission of Kentucky for the Calendar Year Ending December 31, 2012* at 1, 8.

Commission jurisdiction<sup>3</sup> and with the statutory obligation to make reasonable extensions of service.<sup>4</sup>

On March 3, 2013, Complainants, who are residents of the Pond Creek area of Pike County, Kentucky, filed with the Commission a formal complaint against Mountain Water District in which they requested that the Commission require Mountain Water District to extend sewer service to the Pond Creek area.

On March 25, 2013, Mountain Water District submitted an Answer to the Complaint, in which it admitted that it did not currently provide sewer service to the Pond Creek area and affirmatively stated that it is unable to expand sewer service to that area without additional funding. It identified several courses of action that would enable it to provide service to the area in which Complainants reside, but stated that it lacked the funding to implement any of them at the present. Mountain Water District asserted that it had acted in a reasonable manner and requested that the Complaint be dismissed.

Upon receipt of Mountain District's Answer, the Commission established a procedural schedule in this matter that provided for discovery and for a hearing. Following completion of discovery but prior to the scheduled hearing, the parties submitted a Joint Stipulation and Recommended Settlement for the Commission's review and approval.

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<sup>3</sup> KRS 278.015.

<sup>4</sup> KRS 278.280(3). *See also City of Bardstown v. Louisville Gas & Electric Co.*, 383 S.W.2d 918, 919 (Ky.1964) (a utility "can be compelled to make any reasonable extension of its service facilities within its certificated scope or area of service"); OAG 75-719 (a "water district is under an obligation to serve all inhabitants, including the subject applicant, within its geographical area of service as fixed under KRS 74.010 and as defined by the certificate of convenience and necessity")

The Joint Stipulation and Recommended Settlement provides that Mountain Water District will pursue development of a sewage treatment facility for the Belfry/Pond Creek area. It specifically provides that:

- Mountain Water District will authorize Big Sandy Area Development District to become the project administrator for purposes of funding the Belfry | Pond Creek Waste Water Treatment Plant, but Mountain Water District will administer the actual construction of the project.
- An agreed funding model will serve as the framework for securing funds for the proposed project.
- A loan from Rural Development will be necessary to complete this project. The size of such loan will vary based on available grants that may be obtained for the project.
- Mountain Water District retains the right to approve any debt assumed for the project.
- If it is not economically feasible for Mountain Water District to assume the debt necessary to finance the project, the scope of the project may be reduced or modified.
- Mountain Water District will apply for the necessary Rural Development loans and grants to cover the remaining cost. Any Rural Development loan may be subject to terms and conditions outside the requirements of an ordinary loan transaction.
- If Mountain Water District's current application for a Community Development Block Grant for the Douglas Wastewater Plant at Shelby Valley is not approved, then Mountain Water District will make the Belfry/Pond Creek Wastewater Treatment Plant its first priority for a Community Development Block Grant in the next available funding cycle, assuming it qualifies for such grant and receives the prerequisite approval of the Pike County Fiscal Court.
- Mountain Water District's current construction options will not enable service to all of Complainants. The current wastewater treatment plant must be expanded to reach all Complainants. Mountain Water District's current plant must be expanded to provide service to all of the Complainants.

- The time table and funding for such future expansion is unknown at this time.

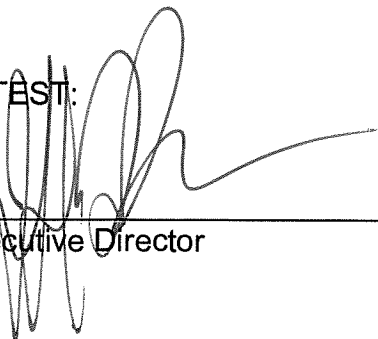
Having reviewed the Joint Stipulation and Recommended Settlement and being otherwise sufficiently advised, the Commission finds that is reasonable, does not violate statute or regulation, is consistent with Mountain Water District's legal obligations as a public utility, and should be approved.

IT IS THEREFORE ORDERED that:

1. The Joint Stipulation and Recommended Settlement is approved.
2. Mountain District shall take all actions required by Paragraph 6 of the Joint Stipulation and Recommended Settlement as if individually ordered by the Commission.
3. The Commission's approval of the Joint Stipulation and Recommended Settlement does not constitute a Certificate of Public Convenience and Necessity to construct any facility or Commission authorization for Mountain District to issue any evidence of indebtedness.
4. The matter is dismissed without prejudice.

By the Commission

ATTEST:

  
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Executive Director

Case No. 2013-00092

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