

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BEECH GROVE WATER)	
SYSTEM, INC. TO INCUR INDEBTEDNESS OF)	CASE NO.
\$125,251.00 FOR THE PURCHASE OF)	2016-00255
METERING SYSTEM)	

ORDER

On July 12, 2016, Beech Grove Water System, Inc. (“Beech Grove”) applied for an Order authorizing Beech Grove to incur indebtedness in the approximate principal amount of \$125,251 for the purpose of purchasing an automated metering system. Per Beech Grove’s application (“Application”), the utility proposes to borrow the estimated principal amount of \$125,251 from Government Capital Corporation (“GCC”) in order to purchase, among other things, 519 5/8- x 3/4-inch meters and 58 1-inch meters from G & C Supply Co., Inc. (“G & C”).¹ As of December 31, 2015, Beech Grove had 557 metered residential customers, ten metered commercial customers, and sold water through one bulk loading station.² As of December 31, 2015, Beech Grove had net utility plant of \$175.101.92.³

The Commission finds that, pursuant to KRS 278.300, Beech Grove must obtain an Order of the Commission prior to entering a loan arrangement with GCC. The

¹ Application at 2, and Exhibit A at 2.

² *Annual Report of Beech Grove Water System, Inc., to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2015 (“Annual Report”)* at 53.

³ *Id.* at 20.

Commission finds that, given increase in size of Beech Grove's net utility plant under the proposal and the number of meters that Beech Grove proposes to purchase relative to its customer base, the proposed purchase of the metering system will materially affect Beech Grove's financial condition and is not an extension in the ordinary course. We conclude that, pursuant to KRS 278.020(1), Beech Grove must obtain a certificate of public convenience and necessity ("CPCN") in order to purchase and install the metering system.⁴

Beech Grove is a water association.⁵ For the 12 months ended December 31, 2015, it had operating revenues of \$421,220.12; therefore, Beech Grove is a Class B utility.⁶ The Commission finds that during the 2016 Regular Session of the General Assembly, legislation was passed that further defines when a CPCN is required for a water district or water association. Pursuant to the legislation:

Water Districts and Water Associations: A water district created pursuant to KRS Chapter 74 and a water association created pursuant to KRS Chapter 273 that undertakes a waterline' extension or improvement project shall not be required to obtain a certificate of public convenience and necessity pursuant to KRS 278.020(1) if the water district or water association is a Class A or B utility as defined in the Uniform System of Accounts established by the Public Service Commission, pursuant to KRS 278.220, as the system of accounts prescribed for utilities in Kentucky, and either: (a) The water line extension or improvement project

⁴ See, for example, Case No. 2012-00077, *Application of Crittenden-Livingston Water District for Authority to Enter Into a Loan Agreement with the Kentucky Infrastructure Authority and for a Certificate of Convenience and Necessity to Acquire and Install Automated Meter Reading Equipment* (Ky. PSC Mar. 30, 2012); See also PSC Staff Opinion 2013-017 (Nov. 25, 2013).

⁵ *Annual Report* at 11.

⁶ *Id.* at 24. Per the Uniform System of Accounts, a utility which has annual water operating revenues of \$250,000 or more but less than \$750,000 is a Class B utility. *National Association of Regulatory Utility Commissioners Uniform System of Accounts for Class A/B Water Companies* (1996) (as modified and adopted by the Public Service Commission in 2002) at 15.

will not cost in excess of \$500,000; or (b) The water district or water association will not, as a result of the water line extension or improvement project, incur obligations requiring Public Service Commission approval pursuant to KRS 278.300. In either case, the water district or water association shall not, as a result of the water line extension or improvement project, increase rates to its customers.⁷

We find that Beech Grove's proposed new metering system does not fall within the scope of the above legislation because the proposed installation of the new metering system is not "a waterline extension or improvement project," as it does not extend or improve an existing waterline. We conclude that the above legislation does not exempt or otherwise relieve Beech Grove from the requirement of obtaining a CPCN for its proposal.

Beech Grove's Application was accepted for filing on July 25, 2016; however, as it is currently pending, the Application does not request all of the necessary authorizations from the Commission. The Commission finds that Beech Grove should amend its Application to include a request for a CPCN for the proposed metering system, and until such amendment is made, the Application should be held in abeyance.

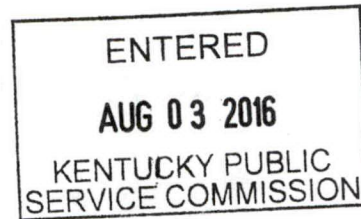
IT IS THEREFORE ORDERED that:

1. Beech Grove shall amend its Application through submitting the pleadings and information necessary to request a CPCN for purchasing and installing its proposed automated metering system.

⁷ 2016 Ky. Acts Chapter 149, Section 4.

2. Beech Grove's request for authorization to enter into a loan arrangement with GCC will be held in abeyance pending acceptance for filing of the amendment described in ordering paragraph 1.

By the Commission



ATTEST:


Executive Director

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