

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WESTERN PULASKI	)	
COUNTY WATER DISTRICT FOR THE	)	
ISSUANCE OF A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY TO	)	
CONSTRUCT A WATER IMPROVEMENTS	)	CASE NO.
PROJECT AND AUTHORIZING THE ISSUANCE	)	2017-00063
OF SECURITIES FOR THE PURPOSE OF	)	
FINANCING SAID PROJECT	)	
PURSUANT TO THE PROVISIONS OF KRS	)	
278.300 AND 807 KAR 5:001	)	

ORDER

Western Pulaski County Water District (“Western Pulaski”) has applied for a Certificate of Public Convenience and Necessity (“CPCN”) to construct Phase 1 of a two-phase waterworks improvements project and for approval, pursuant to KRS 278.300, of the issuance of securities to finance a portion of the project. Western Pulaski does not propose to adjust its rates.

The Commission notes that in its 2015 Annual Report, Western Pulaski reported a water loss of 21.6732 percent. Commission regulation 807 KAR 5:066(6)(3) states that “for rate making purposes a utility’s unaccounted-for water loss shall not exceed fifteen (15) percent of total water produced and purchased, excluding water consumed by a utility in its own operations.”

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the fifteen (15) percent unaccounted for water loss threshold and strongly encourages Western Pulaski to pursue reasonable actions to reduce its

unaccounted-for water loss. Failure by Western Pulaski to make significant progress towards reducing unaccounted water loss may cause the Commission to pursue additional action with the utility.

Western Pulaski submitted an application for a CPCN on February 6, 2017. The application was accepted for filing as of that date.

No person has sought intervention in this matter, and Western Pulaski has not requested a hearing. The record for this case is complete.

Western Pulaski, a water district organized under KRS Chapter 74, provides retail water service to approximately 8,408 customers in Pulaski, Russell, and Wayne counties, Kentucky.<sup>1</sup>

This CPCN is for the construction of a project designated as Phase 1, consisting of one 300,000-gallon elevated water-storage tank to replace an existing 100,000-gallon ground water-storage tank at Hickory Nut Ridge along Hopeful Church Road in the northwestern portion of the Western Pulaski Water District. Western Pulaski states that the proposed construction of the new 300,000-gallon water tank and replacement of the older 100,000-gallon ground water-storage tank is needed based upon the cost involved in repairing and renovating the current structure and Western Pulaski's desire to maintain an adequate level of service that will continue into the future. Western Pulaski states the best alternative is to replace the structure with a new elevated water-storage tank. Western Pulaski further states that due to growth in the northwestern

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<sup>1</sup> *Annual Report of Western Pulaski County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2015* at 12 and 53.

community, the water system is unable to consistently supply the necessary amount of water to this service area.<sup>2</sup>

The total construction cost of the Phase 1 portion of the project as bid is \$1,115,422.41. The combined budget for both Phase 1 and Phase 2 is \$3,304,000. This project will be funded from a portion of a \$3,304,000 loan from Kentucky Infrastructure Authority (“KIA”) Federally Assisted Drinking Water Revolving Loan Fund (“DWRF Loan”). Western Pulaski submitted a KIA conditional commitment letter dated November 16, 2015, as well as a KIA letter dated November 30, 2016, granting Western Pulaski a six-month extension.<sup>3</sup>

Phase 2 consists of waterline replacement, service line replacement, new water transmission main, two new pressure-reducing stations, 100 radio-read meters, and a new water booster pump station. Per the description of Phase 2 provided by Western Pulaski, the project will provide major improvements to its water distribution system through eliminating several dilapidated and undersized water lines. Additionally, Western Pulaski describes Phase 2 as providing major improvement’s to Western Pulaski’s water distribution system and improving water quality.<sup>4</sup>

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

1. The proposed Phase 1 construction will not result in wasteful duplication of existing facilities.

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<sup>2</sup> Application at Exhibit A.

<sup>3</sup> Application at Exhibit C.

<sup>4</sup> Supplemental record filing of the Western Pulaski (filed Mar. 27, 2017).

2. The proposed Phase 1 construction does not conflict with any existing certificates or service of any other utility operating in the area.

3. Public convenience and necessity require the proposed Phase 1 construction, which allows Western Pulaski to provide reliable and adequate water service to its customers.

4. The Phase 1 project will be funded from a portion of a \$3,304,000 loan from a KIA DWRF Loan.

5. Western Pulaski should be authorized to utilize \$1,115,422.41 of the Assistance Agreement on the Phase 1 project approved herein.

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

7. Western Pulaski has not yet applied for a CPCN for Phase 2, which is identified in its request for approval of financing, and no determination is made in this Order regarding the need for or reasonableness of the Phase 2 project. Western Pulaski is not authorized to utilize any of the proceeds from the proposed KIA loan for any other project unless and until Western Pulaski obtains prior Commission approval for the use of the proceeds for any other project.

8. As part of its Phase II application for a CPCN, Western Pulaski shall provide the Commission with its "best guess" unaccounted-for water loss reduction estimate resulting from the replacement and/or rehabilitation of water lines.

9. Western Pulaski's application does not include a proposal to adjust rates.

IT IS THEREFORE ORDERED that:

1. Western Pulaski is granted a CPCN to proceed with the proposed Phase 1 construction as set forth in its application.

2. Western Pulaski shall notify the Commission prior to performing any additional renovation not expressly authorized by this Order.

3. Any deviation from the proposed construction approved shall be undertaken only with the prior approval of the Commission.

4. Western Pulaski 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. Western Pulaski is authorized to enter the proposed Assistance Agreement with KIA and, under the terms of the Assistance Agreement, to borrow from KIA an amount not to exceed \$3,304,000 to be repaid over a 20-year period at an interest rate of 1.75 percent per annum with a loan-servicing fee of .25 percent of the annual outstanding loan balance payable to KIA with each interest payment.

6. Within 30 days of executing its proposed Assistance Agreement with KIA, Western Pulaski shall file with the Commission an executed copy of the Assistance Agreement. Western Pulaski shall use \$1,114,422.41 of the proceeds from the proposed Assistance Agreement with KIA only for the Phase 1 project set forth in its application and approved by the Commission. None of the proceeds shall be used for

the construction of any other project unless and until Western Pulaski obtains prior Commission approval for the use of the proceeds.

7. Western Pulaski 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 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 sewer utilities prescribed by the Commission.

8. Western Pulaski shall file a copy of the "as-built" drawings and a certified statement that the renovation has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the renovation certificated herein.

9. Any documents filed in the future pursuant to ordering paragraphs 2, 7, and 8 shall reference this case number and shall be retained in the post-case correspondence file.

10. Western Pulaski shall file with the Commission, as part of its Phase 2 application for a CPCN, its "best guess" unaccounted-for water loss reduction estimate resulting from the replacement and/or rehabilitation of water lines.

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

By the Commission



ATTEST:

  
Executive Director

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