

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
AUTHORIZING THE CONSTRUCTION OF A TWO) CASE NO. 2005-00039
(2) MILLION GALLON ELEVATED STORAGE)
TANK AND 1200 FEET OF 24-INCH WATER)
MAIN)

ORDER

Kentucky-American Water Company (“Kentucky-American”) has applied for a Certificate of Public Convenience and Necessity (“Certificate”) to construct a 2 million-gallon elevated water storage tank and approximately 1,200 feet of 24-inch water main.¹

Having reviewed the application and evidence of record, the Commission finds that:

1. Kentucky-American is a Kentucky corporation that furnishes retail water service to approximately 107,699 water customers in Fayette, Bourbon, Clark, Gallatin, Grant, Harrison, Owen, Scott, and Woodford counties, Kentucky.² It provides wholesale

¹ Kentucky-American filed its application on January 21, 2005. The Attorney General (“AG”) is the only intervenor in this proceeding. No other person or entity sought intervention. On March 31, 2005, Commission Staff conducted a telephone conference in which both parties participated. Following this conference Commission Staff requested by electronic mail message certain information from Kentucky-American. Kentucky-American submitted this information on April 5, 2005. No party has requested a hearing in this matter or objected to a decision based upon the existing record.

² Annual Report of Kentucky-American Water Company to the Public Service Commission for the Year Ended December 31, 2003 (“Annual Report 2003”) at 30.

water service to the cities of Midway, North Middleton, Georgetown, and Versailles, and to the Jessamine-South Elkhorn Water District and the Harrison County Water Association.³

2. Kentucky-American is currently organized into two divisions: Northern Division and Central Division. The Northern Division consists of all facilities located in Gallatin, Grant, and Owen counties. The remaining facilities compose the Central Division.

3. Kentucky-American currently owns 13 water storage tanks at 12 facilities with a total storage capacity of 19.58 million gallons to serve its Central District. Eight of these tanks have booster facilities on site to force stored water into Kentucky-American's distribution system. The five remaining tanks have floating storage capacity of 2.58 million gallons of which 1.25 million gallons is available to serve the main part of the Central Division and the remaining portion serves Scott County and the city of Sadieville.⁴

4. Kentucky-American is currently constructing a 1-million gallon ground storage tank and booster pump station in the Fayette County/Scott County area. This new tank will provide service to the Central Division and is scheduled to be in service by the end of 2005.⁵

5. The demand for water service in Kentucky-American's Central District has increased significantly in recent years. In its 1993 Storage Capacity Analysis,

³ Id. at 32.

⁴ Application at 2.

⁵ Id.

Kentucky-American projected maximum day pumpage for its Central District to be 65.05 million gallons per day (“MGD”) in 2000 and 65.23 MGD in 2005.⁶ On June 13, 2000, the Central District required service pumpage of 66 MGD.⁷ On August 5, 2002, it required service pumpage of 71.82 MGD.⁸

6. Kentucky-American currently fails to comply with the water storage requirements set forth in Administrative Regulation 807 KAR 5:066, Section 4(4), which requires a water distribution utility to maintain minimum storage capacity equal to its average daily consumption. The Commission has permitted Kentucky-American to deviate from this regulation if it maintains in its main service area a minimum of one-half of its system’s average daily requirement in storage with the other half to be provided through its standby production and pumping facilities at the Richmond Road Station and standby power facilities at the Kentucky River Station.⁹ This deviation is expressly premised upon Kentucky-American’s construction of the necessary storage facilities to meet this minimum by December 31, 2005.¹⁰

7. Kentucky-American proposes to construct a 2 million-gallon elevated water storage tank in the vicinity of Strader Drive and Winchester Road in Fayette County. The Strader Drive area is one of the highest elevation areas in Kentucky-

⁶ Kentucky-American Water Company Storage Analysis (Sept. 1993) at 10.

⁷ Annual Report of Kentucky-American Water Company to the Public Service Commission for the Year Ended December 31, 2000 at 54.

⁸ Kentucky-American Water Company Storage Analysis (Nov. 15, 2002) at 6.

⁹ Kentucky-American Water Co., Case No. 1993-00432 (Ky.PSC Dec. 20, 1993) at 3 – 4.

¹⁰ Id. at 4.

American's service territory and is in an area where pressures generally vary between 30 and 40 pounds per square inch. This facility will be connected to Kentucky-American's existing distribution system through approximately 1,200 feet of 24-inch ductile iron.

8. Kentucky-American estimates that the total cost of the proposed construction is \$3.2 million. Kentucky-American intends to finance the proposed construction from existing funds and short-term debt that will subsequently be converted to permanent long-term debt and equity.

9. Kentucky-American estimates that its cost of operations will increase as a result of the proposed construction. It expects that routine maintenance expenses will increase from the performance of formal tank inspections every seven years, which Kentucky-American estimates will cost \$5,000 per inspection. In 2020, Kentucky-American intends to repaint the tank's exterior and interior at an estimated cost of \$350,000. Kentucky-American estimates that the tank repainting will be performed every 15 to 20 years. Estimated annual depreciation is \$70,400.¹¹

10. On December 21, 2004 and January 17, 2005, the Division of Water of the Kentucky Environmental and Public Protection Cabinet approved the submitted plans and specifications for the 2 million-gallon elevated water storage tank and approximately 1,200 feet of 24-inch water main, respectively.¹²

¹¹ Application at 4-5.

¹² Approval was granted in two separate letters from Donna S. Marlin, Manager, Drinking Water Branch, Division of Water, to Shannyn C. Walker, Engineer, Kentucky-American Water Co.

11. The proposed construction will increase the amount of floating storage within the center portion of the Central Division by approximately 260 percent, will improve system response should a power outage occur at either of Kentucky-American's water treatment plants, will provide for more consistent service pressures, and will stabilize the pressures in the immediate vicinity of the tank.¹³

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

13. The proposed facility will not conflict with the existing certificates or service of other utilities operating in the same area and under the Commission's jurisdiction.

14. The public convenience and necessity require the proposed construction.

IT IS THEREFORE ORDERED that:

1. Kentucky-American is granted a Certificate to proceed with the proposed construction project as set forth in its plans and specifications.

2. Kentucky-American shall obtain approval from the Commission prior to performing any additional construction that is not an ordinary extension in the usual course of business or 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. Kentucky-American shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially

¹³ Application at 3.

completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

5. Kentucky-American shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure the construction 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.

6. Kentucky-American 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.

Done at Frankfort, Kentucky, this 21st day of April, 2005.

By the Commission

ATTEST:



Executive Director