

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ADAIR COUNTY WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO)	CASE NO. 2013-00095
CONSTRUCT A WATER IMPROVEMENTS)	
PROJECT PURSUANT TO KRS 278.020 AND 807)	
KAR 5:001)	

ORDER

Adair County Water District (“Adair District”) has applied for a Certificate of Public Convenience and Necessity (“Certificate”) for a waterworks improvement project. Having reviewed the application and being otherwise sufficiently advised,¹ the Commission finds that:

1. Adair District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water to approximately 7,668 customers in Adair County, Kentucky.²

2. Adair District proposes to construct a 300,000-gallon elevated water storage tank and appurtenances along Kentucky Highway 80 East in Adair County, Kentucky, near the Adair County/Russell County boundary line and to remove an existing 65,000-gallon ground-water storage tank that is located near the proposed tank.

¹ On March 11, 2013, Adair District tendered its application to the Commission. The Commission rejected the application for filing because of the application’s failure to comply with 807 KAR 5:001. On March 22, 2013, after Adair District’s submission of additional materials, the Commission accepted the application. No persons or entities have sought intervention in this matter. The Commission has received no requests for hearing and finds the record is complete and is ready for decision.

² *Annual Report of Adair County Water District to the Public Service Commission of Kentucky for the Year Ending December 31, 2011* at 5 and 27.

3. The proposed construction is part of the Phase 11-2 Water Improvements and Extension Project.

4. The Phase 11-2 Water Improvements and Extension Project involves the construction of a 300,000-gallon water storage tank, the replacement of 10,400 linear feet of 6-inch water distribution main with 10,400 linear feet of 8-inch polyvinyl chloride ("PVC") water distribution main along Kentucky Highway 80 East/Russell Creek Road, the installation of 4,400 linear feet of 3-inch PVC water distribution main on Lory Road, and construction of a 250-gallon-per-minute water booster pump station and related appurtenances.

5. The Commission has previously issued a Certificate for all components of the Phase 11-2 Water Improvements and Extension Project³ except for the proposed 300,000-gallon elevated water storage tank.

³ Case No. 2013-00016, *Application of the Adair County Water District for a Certificate of Public Convenience and Necessity to Construct a Water Improvements Project and to Issue Securities in the Approximate Amount of \$446,000 to Finance Said Project Pursuant to KRS 278.020, 278.300 and 807 KAR 5:001* (Ky. PSC Jan. 31, 2013). In that Order, we incorrectly described the Phase 11-2 Water Improvements and Extension Project as including "construction of a 300,000-gallon water storage tank, the replacement and enlargement of approximately 10,000 linear feet of water-distribution main that will extend from the new water storage tank towards Kentucky Highway 80 East, the construction of a transmission main to connect the northeastern portion of Adair District's distribution system to its southern portion, the construction of 84,000 linear feet of 3-inch water-distribution main to serve 76 additional customers, and replacement of approximately 46,000 linear feet of 12-inch, 6-inch, and 4-inch water main." *Id.* at 2. The correct description of Project is set forth in Finding 4 of this Order.

6. Total cost of the proposed Phase 11-2 Water Improvements and Extension Project, including contingencies, engineering design, inspection and legal fees is \$1,500,000.⁴

7. The total construction cost of the proposed improvements set forth in Adair District's current application is \$726,000.⁵

8. Adair District proposes to fund the project cost with the proceeds of a \$1,500,000 loan from the Kentucky Infrastructure Authority ("KIA").⁶

9. Monarch Engineering, Inc., of Lawrenceburg, Kentucky, prepared the plans and specifications for the proposed project.

10. The Kentucky Division of Water has approved the plans and specifications for the proposed project.⁷

11. The proposed water storage tank is necessary to increase water pressures in the eastern portion of Adair District's territory. Current storage capacity in Adair District's eastern area is no longer adequate to meet demand due to an increasing number of customers. The proposed storage tank will also address pressure problems

⁴ App. ¶ 6; App. Ex. B. See also E-mail Message from Deron Byrne, Professional Engineer, Monarch Engineering, Inc., to Gerald Wuetcher, Attorney, Public Service Commission (May 10, 2013, 11:44 EDT). In our Order of January 31, 2013 in Case No. 2013-00016, we incorrectly found the estimated total project cost of the Phase 11-2 Water Improvements and Extension Project to be \$3,554,000. Order of Jan. 31, 2013 at 3. That estimated cost was the estimated cost of a larger project, which Adair District labeled "Phase 11" and of which Phase 11-2 was a subpart. See E-mail Message from Deron Byrne to Gerald Wuetcher (May 10, 2013). The fees included in this amount also include contingencies, engineering design, inspection and legal fees for the project that the Commission approved in Case No. 2013-00016.

⁵ App. Ex. B. Adair District has stated that the construction cost of the facilities that the Commission approved in Case No. 2013-00016 and that are included in the total project cost are \$339,885.

⁶ The Commission has previously authorized Adair District to enter into a loan agreement with KIA for \$1,500,000 to use for the Phase 11-2 Water Improvements and Extension Project. See *supra* Note 3.

⁷ Letter from Mark Rasche, Water Infrastructure Branch, Kentucky Division of Water, to Lennon Stone, General Manager, Adair County Water District (Nov. 9, 2012).

that resulted from the reconfiguration of Adair District's distribution system. Adair District now supplies its eastern territory with water from its own water treatment plant, which is located at the Green River Reservoir, instead of by purchasing water from the city of Russell Springs.⁸

12. The proposed construction will not result in excessive investment or the wasteful duplication of existing facilities.

13. The proposed construction does not conflict with any existing Certificates or the service of any other utility operating in the area.

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

IT IS THEREFORE ORDERED that:

1. Adair District is granted a Certificate for the proposed construction as set forth in its application.

2. Adair 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 Commission's prior approval.

4. Adair 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 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.

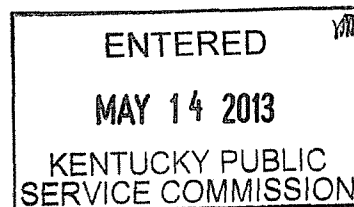
⁸ E-mail Message from Deron Byrne to Gerald Wuetcher (May 10, 2013).

5. Adair 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.

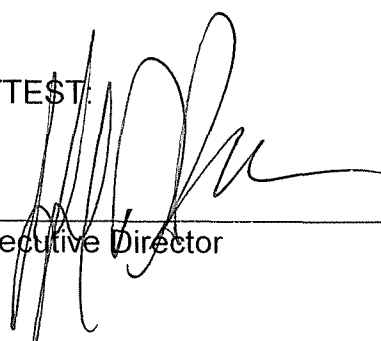
6. Adair District shall require construction to be inspected under the general supervision of a licensed professional engineer, with a Kentucky registration in civil, electrical, or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

7. Any documents filed in the future pursuant to ordering paragraphs 2, 4, and 5 shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission



ATTEST:



Executive Director

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202