

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTHERN WATER AND)	
SEWER DISTRICT FOR THE ISSUANCE OF A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY TO CONSTRUCT A SEWER SYSTEM)	2016-00294
IMPROVEMENTS PROJECT PURSUANT TO THE)	
PROVISIONS OF KRS 278.020 AND 807 KAR 5:001)	

ORDER

Southern Water and Sewer District ("Southern District") has applied for a Certificate of Public Convenience and Necessity ("CPCN") to construct a sewer system improvements project.

Southern District filed an application for a CPCN on August 12, 2016. After filing deficiencies were cured on August 31, 2016, the application was deemed filed as of that date.

Southern District's application for a CPCN includes engineering plans, specifications, reports and information; bid information; project finance information; a current balance sheet and income statement and certification of the application by an authorized officer of Southern District.

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

Southern District, a water and sewer district organized under KRS Chapter 74, provides retail water service to approximately 6,724 customers, wholesale water service

to Floyd and Knott counties and to the city of Hindman,¹ and sanitary sewer service to approximately 306 customers in Floyd County.²

This CPCN is for the construction of approximately 136 connections; a lift station with two pumps; 16,492 feet of 1.25-inch force main; 3,220 feet of 6-inch force main and 199 feet of 10-inch force main.³

The total cost of the proposed project, including administrative, legal, engineering, construction, and contingencies, is approximately \$1,340,000. This project will be funded from the following funding sources: a Community Development Block Grant (“CDBG”) of \$750,000, an Appalachian Regional Commission (“ARC”) grant of \$390,000 and a House Bill 265 (“HB265”) grant of \$200,000.⁴

Summit Engineering, Inc. of Lexington, Kentucky, prepared the plans and specifications for the proposed project. The Kentucky Division of Water (“KDOW”) approved the plans and specifications of the proposed project on March 11, 2016.⁵

Southern District states that the proposed improvements will improve the areas’ water quality and quality of life for the residents; it further states that the expansion of the customer base will provide much needed additional flow to the plant and operational

¹ *Annual Report of Southern Water and Sewer District, Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2015* at 12, 53, and 60.

² *Annual Report of Southern Water and Sewer District, Sewer Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2015* at 9 and 12.

³ Application, Exhibit B, Letter from Terry Humphries, P.E., Supervisor, Water Infrastructure Branch, KDOW, dated Mar. 11, 2016

⁴ *Id.*, Exhibit C.

⁵ *Id.*, Exhibit B.

income.⁶ The project will add approximately 136 sewer customers, all of whom are already customers of Southern Water District.

The Commission notes that in its 2015 Annual Report, Southern District reported a water loss of 42.8379 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 used by a utility in its own operations. Reduction of Southern District's water loss to 15 percent would result in an approximate reduction to its cost of water by \$229,267.⁷

The Commission strongly encourages Southern District to pursue reasonable actions to reduce its water loss.

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

1. The proposed construction will not result in wasteful duplication of existing facilities.
2. The proposed construction does not conflict with any existing certificates or service of any other utility operating in the area.

⁶ *Id.*, Exhibit A.

⁷

Purchased Water	\$	438,084
Purchased Power for Pumping		316,778
Chemicals		<u>68,715</u>
Cost of Water		823,577
Times: Line Loss Above 15 Percent		<u>27.8379%</u>
Expense Reduction to Cost of Water	\$	<u>229,267</u>

3. Public convenience and necessity require the proposed construction, which allows Southern District to provide reliable and adequate sanitary sewer services to its customers.

4. KDOW has approved the plans and specifications for this proposed project.

5. The project will be funded from the following funding sources: a CDBG grant of \$750,000; an ARC grant of \$390,000; and a HB265 grant of \$200,000.

IT IS THEREFORE ORDERED that:

1. Southern District is granted a CPCN to proceed with the proposed construction as set forth in its application.

2. Southern 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 prior approval of the Commission.

4. Southern District 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. Southern 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 authorized under this CPCN is substantially completed. Construction costs shall be

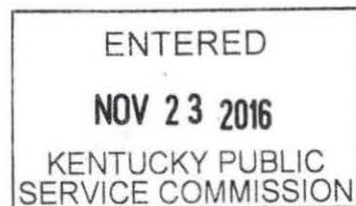
classified into appropriate plant accounts in accordance with the Uniform System of Accounts for sewer utilities prescribed by the Commission.

6. Southern 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.

7. Any documents filed in the future pursuant to ordering paragraphs 2, 5, and 6 shall reference this case number and shall be retained in the post-case correspondence file.

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

By the Commission



ATTEST:


Executive Director

*Southern Water & Sewer District
245 Kentucky Route 680
P. O. Box 610
McDowell, KY 41647

*Southern Water & Sewer District
245 Kentucky Route 680
P. O. Box 610
McDowell, KY 41647

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