

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WHITLEY COUNTY)	
WATER DISTRICT NO. 1 FOR APPROVAL)	CASE NO.
OF FINANCING AND ISSUANCE OF A)	2018-00235
CERTIFICATE OF CONVENIENCE AND)	
NECESSITY)	

ORDER

On July 6, 2018, Whitley County Water District No. 1 (Whitley County District) submitted an application for approval of financing and the issuance of a Certificate of Public Convenience and Necessity (CPCN) to construct approximately 3,500 linear feet of 3 inch PVC pipe to replace waterline that are undersized or have been prone to excessive leaking. In its application, Whitley County District also requested that the record of Case No. 2017-00068 be incorporated into the record of the present case. In Case No. 2017-00068, Whitley County District received approval to construct approximately 39,900 feet of new water transmission and distribution mains that were undersized or prone to excessive leakage. Whitley County District also received approval to install approximately 700 radio read meters to replace the remaining conventional meters in the distribution system.¹ The present case involves the supplementation of the loan and construction approved in Case No. 2017-00068.²

¹ Case No. 2017-00068, *Application of Whitley County Water District No. 1 for Approval of Financing and Issuance of a Certificate of Public Convenience and Necessity* (Ky. PSC Mar. 8, 2017), at 1-2.

² Application at 1.

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

The Commission notes that in its 2017 Annual Report Whitley County District reported a water loss of 23.8095 percent. Commission regulation 807 KAR 5:066(6)(3) states that for ratemaking purposes a utility's unaccounted-for water loss shall not exceed 15 percent of the 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 15 percent unaccounted-for water loss threshold and strongly encourages Whitley County District to continue to pursue reasonable actions such as this water line replacement to reduce its unaccounted-for water loss. Failure by Whitley County District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Whitley County District, a water district organized under KRS Chapter 74 provides retail water service to approximately 3,650 customers in Whitley County, Kentucky.³

In the present case, Whitley County District requests a CPCN for the construction of approximately 3,500 linear feet of 3 inch PVC pipeline and associated appurtenances such as gate valves, leak detection meters, etc. The water mains will primarily be constructed along the county and state highway right-of-ways.⁴ This request is based on

³ *Annual Report of Whitley County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2017* at 12 and 40.

⁴ Case No. 2017-00068, *Application of Whitley County Water District*, (Ky. PSC Feb. 8, 2017), Application Exhibit A.

a 10 percent increase in funding approved by the Kentucky Infrastructure Authority (KIA) for an extension of the project described in Case No. 2017-00068.⁵

The total cost of the proposed project including administrative, legal, engineering, construction, and contingencies costs is approximately \$37,204.00. The project will be financed with a \$37,204.00 increase in the KIA loan approved in Case No. 2017-00068. The combined loan amount in the present case and Case No. 2017-00068 shall not exceed \$969,704.00 and shall be repaid over a 20-year term at an interest rate of 0.75 percent per annum with a loan servicing fee of 0.25 percent of the outstanding loan balance payable to KIA with each interest payment.⁶

Kenvirons, Inc. of Frankfort, Kentucky prepared the plans and specifications for the proposed project in Case No. 2017-00068.⁷ The supplemental extension in the present case will be installed according to the plans and specifications previously filed and is included on the revised map in the present case.⁸ The Kentucky Division of Water (KDOW) approved the plans and specifications of the proposed project on March 20, 2018.⁹

⁵ Application at paragraph 4.

⁶ *Id.*, Attachment 1.

⁷ Case No. 2017-00068, *Application of Whitley County Water District No. 1*, Application at Exhibit A.

⁸ Application, at Attachment 2.

⁹ *Id.*, Attachment 3.

The Kentucky Transportation Cabinet approved encroachment permits on March 22, 2016.¹⁰ Bid information is included with Exhibit B, Case No. 2017-00068. No new bids were obtained for the proposed supplemental construction.¹¹

Whitley County District states that this project will replace an additional 3,500 linear feet of existing distribution lines in the Kings Mountain Road area that are undersized or have been prone to excessive leaking. The facilities have been designed to provide the customers with a minimum pressure of 30 psi at the meter at peak flow conditions. No new customers will be served by the project.¹²

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

1. The record for this case is complete.
2. The proposed construction will not result in wasteful duplication of existing facilities.
3. The proposed construction does not conflict with any existing certificates or service of any other utility operating in the area.
4. Public convenience and necessity require the proposed construction, which will allow Whitley County District to continue providing reliable and adequate water services to its customers.
5. KDOW has approved the plans and specifications for this proposed project.

¹⁰ Application at paragraph 10 and Case No. 2017-00068, Application Exhibit B.

¹¹ Application at paragraph 9.

¹² Application at Attachment 1, paragraph 4 and paragraph 5.

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

7. Whitley County District should be authorized to utilize the \$37,204.00 of the Assistance Agreement on the project approved herein.

IT IS THEREFORE ORDERED that:

1. Whitley County District's motion to incorporate the record of Case No. 2017-00068 is granted.

2. Whitley County District is granted a CPCN to proceed with the proposed construction as set forth in its application.

3. Whitley County District shall notify the Commission prior to performing any additional construction not expressly approved by this order.

4. Any deviation from the construction approved by this order shall be undertaken only with the prior approval of the Commission.

5. Whitley County 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.

6. Whitley County District is authorized to enter into the proposed Assistance Agreement with KIA and, under the terms of the Assistance Agreement, to borrow from

KIA an amount not to exceed \$37,204.00 to be repaid over a 20-year period at an interest rate of 0.75 percent per annum with a loan servicing fee of 0.25 percent of the annual outstanding loan balance payable to KIA with each interest payment.

7. Within 30 days of executing its proposed Assistance Agreement with KIA, Whitley County District shall file with the Commission an executed copy of the Assistance Agreement. Whitley County District shall use \$37,204.00 of the proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its application. None of the proceeds shall be used for the construction of any project not clearly identified in Whitley County District's Application and approved by the Commission in this proceeding, unless and until Whitley County District obtains prior Commission approval for the use of the proceeds.

8. Whitley County 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, etc.) 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 water utilities prescribed by the Commission.

9. Whitley County 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.

10. Any documents filed in the future pursuant to ordering paragraphs 3, 7, 8, and 9 shall reference this case number and shall be retained in the post-case correspondence file.

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

12. This case is hereby closed and will be removed from the Commission's docket.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any other agency thereof as to the securities authorized herein.

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By the Commission



ATTEST:


Executive Director

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