

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
CANNONSBURG WATER DISTRICT TO ISSUE)	CASE NO.
SECURITIES PURSUANT TO KRS 278.300)	2018-00247

ORDER

On August 8, 2018, Cannonsburg Water District (Cannonsburg District) filed an application requesting Commission approval to enter into an Assistance Agreement with the Kentucky Infrastructure Authority (KIA) to borrow an amount not to exceed \$85,000 to finance certain water distribution system improvements.¹ Cannonsburg District does not propose to adjust its rates.

The Commission notes that Cannonsburg District reported a water loss of 37.0949 percent in its 2017 Annual Report.² 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. Reduction of Cannonsburg District's unaccounted-for water loss to 15 percent would result in an approximate \$249,736.01³ decrease to purchased water

¹ Cannonsburg District tendered its application on August 1, 2018. By letter dated August 6, 2018, the Commission notified Cannonsburg District that its application was rejected for filing due to filing deficiencies. Cannonsburg District cured the filing deficiencies and the application was deemed filed on August 8, 2018.

² *Annual Report of Cannonsburg Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2017* (2017 Annual Report) at 56, line 33.

³ Purchased Water from 2017 Annual Report	\$1,130,288
Times: Water Loss Above 15 Percent	<u>22.0949</u>
Purchased Water Expense Reduction	<u>\$249,736.01</u>

expense. Potentially, Cannonsburg District is paying \$1.04⁴ per 1,000 gallons sold for expenses associated with unaccounted-for water loss greater than 15 percent.

In 2014, the Commission approved a water loss detection plan for Cannonsburg District that included installing ten master meters in an effort to gather sufficient information regarding unaccounted-for water loss.⁵ The Commission intends to schedule an informal conference in that matter to address the status of the water loss detection plan.

No party has sought intervention in this matter, and Cannonsburg District did not request a hearing. The record in this case is complete, and the matter stands ready for a decision.

Cannonsburg District, a water district organized under KRS Chapter 74, provides retail water service to approximately 3,644 customers in Boyd and Greenup Counties, Kentucky.⁶

The proposed project entails the construction of approximately 2,300 linear feet of six-inch PVC water main, and the installation of a fire hydrant and six radio read meters to extend service to six households on Culp Creek Road in Greenup County, Kentucky. The proposed construction is necessary in order to provide clean drinking water to six

⁴ Potential purchased water expense reduction divided by sales (\$249,736 / (240,011,000/1,000) equals \$1.0406/1,000.

⁵ Case No. 2014-00267, *Cannonsburg Water District's Unaccounted-For Water Loss Reduction Plan, Surcharge and Monitoring* (Ky. PSC Aug. 7, 2014).

⁶ Application, paragraph 6.

households whose water supply has been contaminated by effluent from an abandoned oil well.⁷

On March 6, 2018, the Energy and Environment Cabinet's Environmental Response Branch was notified that an abandoned oil well was seeping out of a hillside and contaminating the drinking water wells of these six households.⁸ The Kentucky Division of Water (KDOW) notified Cannonsburg District that the rupture permanently contaminated the groundwater wells that supply the residents' only source of water.⁹

The project will also serve to improve water service for twelve existing customers by adding an additional flushing point in the system, which will address water quality concerns in a low usage area of Cannonsburg District's distribution system.¹⁰

The total cost of the proposed project, including administrative, legal, engineering fees, and contingencies, is approximately \$85,000.¹¹ Cannonsburg District intends to finance the proposed project with an Infrastructure Revolving Loan Fund B approved by the KIA in an amount not to exceed \$85,000. The proposed loan will bear interest at a rate of 1.75 percent per annum and will be payable over a period not to exceed 20 years from the date of the execution of the Assistance Agreement. The Assistance Agreement will be secured by a pledge of Cannonsburg District's revenues.¹²

⁷ *Id.* at 10.

⁸ *Id.* Exhibit 2, Attachment A, page 62.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

Cannonsburg District prepared the plans and specifications for the proposed project. KDOW approved the plans and specifications of the proposed project on May 30, 2018.¹³

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

1. The record for this case is complete.
2. Cannonsburg District's proposed construction will not result in wasteful duplication of existing facilities.
3. KDOW has approved the plans and specifications for this proposed project.
4. The proposed Assistance Agreement with KIA is for lawful objects within Cannonsburg District's corporate purpose. It is necessary for, appropriate for, and consistent with the proper performance of Cannonsburg District's service to the public, will not impair Cannonsburg District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.
5. Cannonsburg District should be authorized to utilize \$85,000 of the Assistance Agreement on the project approved herein.

IT IS THEREFORE ORDERED that:

1. Cannonsburg District is authorized to enter into the proposed Assistance Agreement with KIA and, under the terms of the agreement, to borrow from KIA an amount not to exceed \$85,000 to be repaid over a 20-year period at an interest rate of 1.75 percent per annum.

¹³ *Id.* Exhibit 8.

2. Within 30 days of executing the proposed Assistance Agreement with KIA, Cannonsburg District shall file with the Commission an executed copy of the Assistance Agreement. Cannonsburg District shall use 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 other improvements or any other projects except those clearly identified in Cannonsburg District's application in this proceeding, unless and until Cannonsburg District obtains prior Commission approval for the use of the proceeds.

3. Any documents filed in the future pursuant to ordering paragraph 2 shall reference this case number and shall be retained in the utility's general correspondence file.

4. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon Cannonsburg District's showing of good cause for such extension. Any deviation from the construction approved by this Order shall be undertaken only with the prior approval of the Commission.

5. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED
AUG 15 2018
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


for Executive Director

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