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PUBLIC SERVICE  
COMMISSION

March 4, 2004

Mr. James D. Rice  
Water and Sewer Branch  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40601

Case 2004-00126

Re: *Montgomery County Water District No. 1  
PSC Order No. 95-406*

Dear James:

Thanks for meeting with me Monday. Enclosed is the completed application for relief from requirements of the subject order and administrative regulations related to treated water storage volume.

As cited within the application, Montgomery County Water District No. 1 expects to be in compliance with the regulations within the next 12 to 15 months. The District also expects approval from the Kentucky Infrastructure Authority (KIA) to use a Tobacco Development Fund Grant of \$250,000 to correct deficiencies as noted in the application. However, KIA will not authorize use of the \$250,000 until PSC grants relief from requirements of the referenced Order.

Your earliest review and action on this application is needed. Please call me if you have any questions.

Sincerely,

Daniel L. Shoemaker, P.E.

pc: Teresa Shields w/encl, Gateway ADD  
David Bailey w/encl, Montgomery County Water District No. 1

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PUBLIC SERVICE COMMISSION

Case 2004-00126

APPLICATION

This application has been prepared by the Commission to assist those utilities seeking approval to maintain less water storage than the average daily usage prescribed by 807 KAR 5:066, Section 5(4) or additional time to bring their water storage into compliance.

**Montgomery County Water District No. 1**

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Name of Utility

**4406 Camargo Road**

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Address

**Mt. Sterling**

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City

**KY**

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State

**40353**

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Zip Code

Telephone Number

**859 / 498-0521**

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Area Code

Number

## I. BASIC INFORMATION

Name, Title, Address, and telephone number of the person to whom correspondence or communications concerning this application should be directed:

Name: **David Bailey, Operator**

Address: **Montgomery County Water District No. 1**  
**4406 Camargo Road, Mt. Sterling, Kentucky 40353**

Telephone Number: **859 / 498-0521**

## II. FILING REQUIREMENTS

An original and seven copies of the completed application should be sent to:

Kentucky Public Service Commission  
Executive Director's Office  
730 Schenkel Lane  
P.O. Box 615  
Frankfort, Kentucky 40602

Telephone 502/564-3940

All correspondence and responses to supplemental information requests should also be sent to this address.

Copies of this form may be obtained from the Commission's Office of Executive Director; or by calling 502/564-7167.

I have read and completed this Application and to the best of my knowledge all the information contained in this Application is true and correct.

|        |  |
|--------|--|
| Signed | <u><i>Ernest A. Bean</i></u><br>Officer of the Company         |
| Title  | <u><b>Ernest Bean, Chairman<br/>Board of Commissioners</b></u> |
| Date   | <u><b>March 9, 2004</b></u>                                    |

Please answer all questions completely. Attach additional sheets, if necessary.

1. Provide the current average daily usage on the system. This should include all water sold, utility water usage, and unaccounted-for-water.

**Daily average usage was 264,300 gallons for the 12 month period ending February 2004.**

2. Provide the number, type, and capacity of any water storage tanks on the system.

**One 200,000 gallon elevated, welded steel tank, located on Lake Road in the City of Camargo, approximately 1,000 feet south of US 460.**

3. Provide a list of all large volume customers served by the system and the usage of each. Also state whether these customers have storage facilities and their capacity. Do not list customers who are purchasing less than 5 percent of the average daily usage. Also state which, if any, of these customers can be interrupted during emergencies.

**The District serves only one large customer, the City of Jeffersonville. The daily average of water purchased from the District by Jeffersonville was 142,900 gallons over the past 12 months. Jeffersonville has two elevated tanks; one is 300,000 gallons and the other is 100,000 gallons. Service can be interrupted during emergencies as Jeffersonville also purchases water directly from Mt. Sterling Water & Sewer Commission through a direct connection near Mt. Sterling's Water Treatment Plant.**

4. Provide a list of critical health care facilities served by the system. Also state whether these customers have storage facilities and the capacity.

**None.**

5. State whether the system produces or purchases its water. If part or all of the system's water is purchased, provide the supplier's name and gallonage purchased.

**Montgomery County Water District No. 1 purchases 100% of its water from Mt. Sterling Water & Sewer Commission. Purchased water is metered through two connection points. The primary connection is near the Mt. Sterling By-Pass on US 460 east of Mt. Sterling. The second point of connection is on Osborne Road near KY 713.**

6. If a supplier of the system has storage capacity or reserves storage capacity for benefit of this system, state the capacity, the proximity to the master meter, and provide a copy of the purchase agreement. The purchase agreement should specifically mention the terms of interruptability.

**Mt. Sterling has three elevated tanks with volumes as follows: By-Pass Tank (near US 60, west of town) – 500,000 gallons; I-64 Tank (near US 60, east side of town) – 500,000 gallons; Owingsville Road Tank – 300,000 gallons. In addition, the City has two 2.5 million gallon, ground storage tanks, located on Osborne Road near the District's secondary point of connection to Mt. Sterling's system; these tanks supply booster pumps that are equipped with backup power generation facilities. Mt. Sterling's daily water use is approximately 4 MGD.**

**The District's primary connection to Mt. Sterling's system is within two miles of the elevated tanks and is served by transmission mains from two separate directions.**

7. Provide a technical summary of operational deficiencies of the system that are known from experience or that are indicated by hydraulic analysis. This should include a list of outages that occurred in past years. The cause and duration of any outages, customer complaints, areas of low pressure, and the availability of standby equipment, repair equipment, and contractors.

**The District has not suffered outages in recent years. A local contractor is available for emergency repairs through an annual services contract.**

**Deficiencies in the system include: 1) electrical booster chlorinator and pressure reducing station on US 460; 2) troublesome tank level control via hydraulically actuated and operated control valves; 3) lack of gate valves (isolation) in older lines; 4) small section of asbestos-cement pipe; 5) insufficient size/number of flushing valves.**

8. Provide information on the growth potential for the system. This should include the number of new customers added per year, and the possibility of extensive development (e.g., new subdivisions, businesses, etc.).

**New customer history and projections follow:**

| <u>Yr</u>      | <u>New</u>            |
|----------------|-----------------------|
| 2000           | 10                    |
| 2001           | 6                     |
| 2002           | 8                     |
| 2003           | 5                     |
| 2004           | 10 (estimated)        |
| 2005 and after | 10 per year estimated |

**No significant development is anticipated and there are no unserved areas within nor adjacent to the District's boundaries.**



9. Describe any planning to date, to bring the system into compliance with Commission regulations. This should include efforts to secure financing for the construction of additional storage facilities as well as the estimated compliance date. If no planning has taken place, explain why not.

**Since PSC Order 95-406 was issued, the District has attempted to procure funding to construct a new elevated tank and fix the deficiencies noted above. A State Application Identification number, SAI KY 961113-1199, was assigned by the State Clearinghouse in 1997. Funding was not forthcoming until 2003, when the legislature granted partial funding (Tobacco Development Fund) of \$250,000 to the project. At about the same time, the City of Jeffersonville committed to purchasing all of their water from the newly formed Cave Run Water Commission. As a result, Montgomery County Water District No. 1 will no longer be a pass-through entity for Jeffersonville. Once Jeffersonville ceases purchasing from the District, daily usage by the District will fall to approximately 120,000 gallons, or 60% of the District's storage tank volume. At that time, the District will be in compliance with PSC's storage regulations.**

**Cave Run Water Commission awarded construction contracts for its new treatment plant, tanks, and mains on February 10, 2004. The construction contracts stipulate a construction period not to exceed one year. These construction contracts include facilities to serve Jeffersonville.**

**Montgomery County Water District No. 1 acquired an allocation of 100,000 of Mt. Sterling's excess storage on September 16, 2003 (copy attached.)**

**Based on the foregoing facts, the District requests relief from requirements of PSC Order No. 95-406.**

**Upon approval of this request by PSC, the Kentucky Infrastructure Authority, as administrator of the \$250,000 Tobacco Development Fund (TDF) grant, is expected to authorize the District to proceed with the project described in the attached Exhibit I to the TDF Grant Agreement.**

**EXHIBIT 1**  
**Project Profile and Project Budget**  
**WX 21173013**  
**Montgomery County Water District No. 1**

This project is required to meet the conditions set forth in an order by the Kentucky Public Service Commission to increase the effective storage in the District's system to meet daily average demand (PSC Order No. 95-406). As originally conceived, the solution was a new tank to be constructed in the western part of the District's service area near the point of purchase from the Mt. Sterling Water System. The District serves as a pass-through facility to the City of Jeffersonville's water system, transporting more than 100,000 gallons per day through its eight-inch transmission main that lies along US 460 from Mt. Sterling to a metering station located east of Camargo.

Recently, the City of Jeffersonville contracted to purchase all of its water from the Cave Run Water Commission. Those facilities are reported to be operational within the next five years. Once Jeffersonville begins purchasing its water from Cave Run Water Commission, the pass-through effect will terminate and the District's existing storage volume will exceed its daily demand. Therefore, the District proposes to acquire a 100,000-gallon allocation of Mt. Sterling's excess treated water storage and plans to then construct improvements to the District's mains that will hydraulically connect the new storage to its customers. Mt. Sterling Water Company is favorable to allocating the required storage to the District and will do so once the District has funds for the related construction. This profile describes the project that will hydraulically connect that storage to the District's customers.

The improvements include: removing restrictions in the eight-inch transmission main between Mt. Sterling and Camargo (the center of the District's service area); reducing pressure in branch lines connected to this main; looping dead end lines; installing new gate valves in existing lines that do not have such cut-off valves; replacing asbestos-cement pipe; reconfiguring the existing tank level control system and booster chlorination system to improve daily turnover and water quality in the existing 200,000-gallon tank; purchasing touch read meters, software and hardware; and, minor line extensions. This project includes the following previously identified projects: 1) Ell Street Connector, WRIS No. WX21173022; 2) Add/Replace Flush Hydrants, WRIS No. WX 21173024; 3) Updated System Map, WRIS No. WX 21173025.

Schedule:

|                          |             |
|--------------------------|-------------|
| Design Phase             | Spring 2004 |
| Right-of-Way and Permits | Spring 2004 |
| Bidding                  | Summer 2004 |
| Construction             | Summer 2004 |

Budget:

|                           |                  |
|---------------------------|------------------|
| Administrative Expenses   | \$ 2,000         |
| System Map & Hydraulics   | 15,000           |
| Meters & Reading Software | 75,000           |
| Rights-of-Way & Permits   | 3,000            |
| Engineering               | 25,000           |
| Construction              | 110,000          |
| Contingency               | 20,000           |
| <b>Total Project Cost</b> | <b>\$250,000</b> |

Montgomery County Water District  
Number One  
4406 Camargo Road  
Mt. Sterling, Kentucky 40353  
Phone (859) 498-0521

August 14, 2003

Dave Pearce, Manager  
Mt. Sterling Water and Sewer Commission  
300 East Main Street  
Mt. Sterling, Kentucky 40353

Dear Mr. Pearce:

In 1995 the Public Service Commission issued an order requiring our Montgomery County Water District #1 to upgrade the 200,000-gallon Camargo tank capacity. During the last 12 months, the highest daily use for any 30 day period was 285,000-gallons. A substantial part of that amount is due to our district being a pass-through facility for the Jeffersonville users.

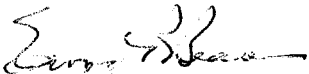
Jeffersonville has agreed to buy water from the newly formed Cave Run Water Commission. When connected, we would no longer need to upgrade the capacity of our 200,000-gallon tank because its capacity would substantially exceed daily requirements for several years.

If the Mount Sterling Water and Sewer Commission could allocate 100,000-gallons of its surplus treated water storage to Montgomery County Water District #1 until Jeffersonville draws water from Cave Run, it would serve to comply with the PSC request. As of this July 30, we have 640 meters compared with 570 meters the same date in 2000. We will work with you to achieve orderly future growth.

Should the Mount Sterling system need the 100,000-gallon at some point in the future, the District agrees to release it upon request.

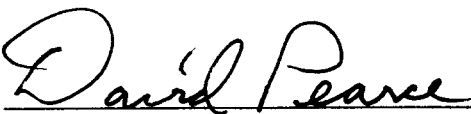
If this is agreeable, please indicate by signing both of enclosed originals of this letter and returning one to me.

Sincerely,



Ernest P. Bean, Chairman  
Board of Commissioners

Approved by Mt. Sterling Water and Sewer Commission:



Dave Pearce, General Manager

9-16-03  
date