

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BREATHITT COUNTY WATER )  
DISTRICT FOR A CERTIFICATE OF PUBLIC ) CASE NO.  
CONVENIENCE AND NECESSITY TO ) 2013-00077  
CONSTRUCT AND FINANCE PURSUANT TO )  
KRS 278.020 )

ORDER

Breathitt County Water District (“Breathitt District”) has applied for a Certificate of Public Convenience and Necessity to construct a water main extension known as the “Kentucky 1110/28 Waterline Interconnection Project.”<sup>1</sup> Having reviewed the application and being otherwise sufficiently advised,<sup>2</sup> the Commission finds that:

1. Breathitt District, a water district organized pursuant to KRS Chapter 74, owns and operates water distribution facilities that serve approximately 1,286 customers in Breathitt County, Kentucky.<sup>3</sup>

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<sup>1</sup> Water Resource Information System has assigned “Project No. WX 21025028” to this project.

<sup>2</sup> Breathitt District tendered its application to the Commission on February 27, 2013. On March 8, 2013, the Commission notified Breathitt District that the application failed to meet certain filing requirements set forth in 807 KAR 5:001 and would not be accepted for filing purposes. On March 14, 2013, Breathitt District supplemented its application and the Commission accepted it for filing purposes. No person or entity has sought intervention in this proceeding. Breathitt District has not requested a hearing on its application.

<sup>3</sup> *Annual Report of Breathitt County Water District to the Public Service Commission for the Calendar Year Ended December 31, 2012* at 5, 27.

2. Breathitt District's average annual water-operating revenue for the last three consecutive years is \$560,025.<sup>4</sup>

3. Breathitt District is a Class B water district.<sup>5</sup>

4. Breathitt District proposes to construct approximately 30,000 linear feet of 8-inch polyvinyl chloride water main, 500 linear feet of high density polyethylene water main, 200 linear feet of 8-inch ductile iron water main, a master meter vault with telemetry, pressure relief valve vault, and related appurtenances.

5. The proposed construction project, which will serve approximately 50 new customers in southern Breathitt County, Kentucky, will involve the construction of water main along Kentucky Highway 315 from Kentucky Highway 1933 to Kentucky Highway 28 and along Kentucky Highway 1110 from Bowling Fork to Kentucky Highway 28 and the installation of an interconnection with the Village of Buckhorn.

6. Persons located in the area in which the project will serve currently obtain their water from private wells. Water from these wells is extremely hard with noticeable amounts of iron.

7. No public utility currently operates in the area in which the proposed project will serve.

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Year	Total Water Operating Revenues
2010	\$449,714
2011	\$527,635
2012	\$702,725
<b>Average</b>	<b>\$560,025</b>

<sup>5</sup> A "Class B" water district is a water district "having annual water operating revenues of \$250,000 or more but less than \$750,000." National Association of Regulatory Utility Commissioners, *Uniform System of Accounts for Class A/B Water Districts and Associations* 14 (1996). The class to which a water district "belongs shall originally be determined by the average of its annual water operating revenues for the last three consecutive years." The table above indicates Breathitt District's annual revenues for the last three years.

8. The proposed project will not result in the wasteful duplication of plant, equipment, property, or facilities or conflict with the existing service of other utilities.

9. The Division of Water of the Energy and Environment Cabinet has approved the plans and specifications for the proposed project.

10. Nesbitt Engineering, Inc., of Lexington, Kentucky, prepared the plans and specifications for the proposed project.

11. Total construction cost of the project will be \$657,226.

12. Total estimated cost of the proposed project, including construction, administrative, contingencies, legal, engineering, and inspection fees, is \$930,000.

13. The proposed project will be funded through a Local Government Economic Development Fund Multi-County Grant of \$930,000.

14. Breathitt District will not issue any evidences of indebtedness or securities to finance the proposed construction.

15. The proposed construction will not require Breathitt District to adjust its rates for water service.

16. In its 2012 Session, the Kentucky General Assembly enacted legislation that provides:

Water Districts and Water Associations: A water district created pursuant to KRS Chapter 74 and a water association created pursuant to KRS Chapter 273 that undertakes a waterline extension or improvement project shall not be required to obtain a certificate of public convenience and necessity pursuant to KRS 278.020(1) if the water district or water association is a Class A or B utility as defined in the Uniform System of Accounts established by the Public Service Commission, pursuant to KRS 278.220, as the system of accounts prescribed for utilities in Kentucky, and either: (a) The water line extension or improvement project will not cost in excess of \$500,000; or (b) The water district

or water association will not, as a result of the water line extension or improvement project, incur obligations requiring Public Service Commission approval pursuant to KRS 278.300. In either case, the water district or water association shall not, as a result of the water line extension or improvement project, increase rates to its customers.<sup>6</sup>

17. The proposed construction project falls within the exemption set forth in 2012 Kentucky Chapter 144 and does not require a Certificate of Public Convenience and Necessity.

IT IS THEREFORE ORDERED that:

1. Breathitt District's application is denied as moot.
2. Breathitt District shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) 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.
3. Breathitt District shall file with the Commission 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 substantial completion of the construction described herein.
4. Any documents filed pursuant to ordering paragraphs 2 and 3 shall reference this case number and shall be retained in the utility's general correspondence file.

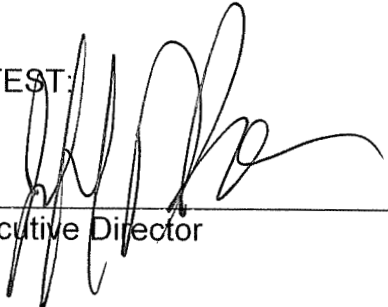
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<sup>6</sup> 2012 Kentucky Acts Chapter 144.

By the Commission

ENTERED 7  
APR 19 2013  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
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Executive Director

Honorable Brendon D Miller  
Attorney at Law  
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