

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BULLITT UTILITIES, INC. FOR )	CASE NO.
A CERTIFICATE OF CONVENIENCE AND )	2014-00255
NECESSITY AND SURCHARGE FOR SAME )	

ORDER

On July 17, 2014, Bullitt Utilities, Inc. ("Bullitt Utilities"), a Kentucky for-profit corporation, tendered an application for filing for: 1) a Certificate of Public Convenience and Necessity ("CPCN") for the construction of a 300,000-gallon-per-day wastewater treatment plant; and 2) a surcharge for costs incurred as a result of the March 29, 2014 failure of its Hunters Hollow wastewater treatment plant and costs to build a new wastewater treatment plant ("Original Application"). Bullitt Utilities' Original Application was rejected as deficient due to noncompliance with several requirements in the Commission's regulations. Bullitt Utilities requested four extensions of time to correct the deficiencies so that it could investigate short-term and permanent solutions for the treatment of wastewater from the Hunters Hollow collection system. On December 10, 2014, Bullitt Utilities filed a Motion for Leave to File Amended Application for Surcharge ("Motion") and an Amended Application for Surcharge ("Amended Application").

In addition to moving for leave to file an amended application, Bullitt Utilities requested that it be allowed to deviate from the requirement<sup>1</sup> that it file an original and

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<sup>1</sup> 807 KAR 5:001, Section 7(1).

ten copies of the amended application. Bullitt Utilities filed an original and two copies of the Amended Application.

In its Motion, Bullitt Utilities states it is no longer planning to construct a new wastewater treatment plant. Bullitt Utilities executed an agreement with Bullitt County Sanitation District ("BCSD") on November 10, 2014, for BCSD to provide treatment for the wastewater from the Hunters Hollow collection system through December 31, 2016.<sup>2</sup> Under the Agreement, BCSD is to start accepting wastewater from the Hunters Hollow collection system within 60 days from the execution date of the Agreement.<sup>3</sup> Pursuant to the terms of the Agreement, Bullitt Utilities intends to construct a lift station, install a line connecting the Hunters Hollow collection system to BCSD's wastewater treatment system, and install two flow meters.<sup>4</sup> Bullitt Utilities did not request a CPCN for the construction identified in its Amended Application.

#### Motion to File an Amended Application

Bullitt Utilities investigated various proposals for a temporary and permanent solution for the treatment of wastewater from the Hunters Hollow collection system. Bullitt Utilities states the investigation revealed that building a new wastewater treatment plant was not the best solution. Bullitt Utilities determined that the best alternative for a short-term solution was to contract with BCSD to treat the wastewater from the Hunters Hollow collection system until December 31, 2016. Bullitt Utilities states that it will

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<sup>2</sup> Agreement Between Bullitt County Sanitation District and Bullitt Utilities, Inc., dated Nov.10, 2014 ("Agreement"), filed on Nov. 21, 2014.

<sup>3</sup> Agreement, paragraph 1 at 1.

<sup>4</sup> Agreement, paragraph 9 at 2; and Motion, paragraph 4 at 3.

continue to seek a permanent solution for treatment of the wastewater from the Hunters Hollow collection system.

Motions to amend applications are allowed when a party shows good cause for the motion. Amended applications do not relate back to the date of the original application.<sup>5</sup>

#### Request to Deviate from Filing Ten Copies

In support of its request for a deviation from filing ten copies of its Amended Application, Bullitt Utilities indicates that it seeks to avoid incurring excessive administrative costs by filing one original and two copies. Bullitt Utilities' December 10, 2014 filing, consisting of the Motion, Amended Application, and exhibits, totals approximately 371 pages. Bullitt Utilities could have chosen to utilize the electronic filing procedure when filing its Original Application, but did not choose to do so.<sup>6</sup> A utility using the electronic filing procedure is required to file only one electronic copy and one paper copy.<sup>7</sup>

#### Amended Application Filing Deficiencies

Bullitt Utilities' request for a rate surcharge is a request for a general adjustment of existing rates and must conform to the filing requirements set forth in 807 KAR 5:001, Section 16, and 807 KAR 5:071, Section 3. Bullitt Utilities did not file all the necessary documents. For Commission Staff to investigate the request for a surcharge, the following documents are necessary:

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<sup>5</sup> 807 KAR 5:001, Section 4(5).

<sup>6</sup> 807 KAR 5:001, Section 8.

<sup>7</sup> 807 KAR 5:001, Section 8(3).

807 KAR 5:071, Section 3(2)(b):

A comparative income statement (PSC Form) showing the test period; per books, revenues and expenses, pro forma adjustments to those figures, and explanations for each adjusted entry.

807 KAR 5:071, Section 3(2)(c):

A detailed analysis of any expenses contained in the comparative income statement which represent an allocation or proration of the total expense.

807 KAR 5:071, Section 3(2)(e):

Copies of all service contracts entered into by the utility for outside services, such as but not limited to: operation and maintenance, sludge hauling, billing, collection, repairs, etc., in order to justify current contract services and charges or proposed changes in said contracts.

807 KAR 5:071, Section 3(2)(g):

A detailed customer listing showing number of customers in each customer class and average water consumption for each class of customers.

807 KAR 5:071, Section 3(2)(h):

If the utility has billing and collection services provided by the Louisville Water Company, remittance advices from the Louisville Water Company showing revenues and collection charges should be submitted for the test period.

807 KAR 5:071, Section 3(2)(j):

A full and complete explanation of corporate or business relationships between the applicant and a parent or brother-sister corporation, subsidiary(ies), a development corporation(s), or any other party or business, to afford the commission a full and complete understanding of the situation.

807 KAR 5:001, Section 16(4)(d):

A statement estimating the effect that each new rate will have upon the revenues of the utility including, at minimum, the total amount of revenues resulting from the increase or decrease and the percentage of the increase or decrease.

Although there are numerous other filing requirements set forth in 807 KAR 5:001, Section 16, and 807 KAR 5:071, Section 3, that are applicable to a general adjustment

of rates, the Commission finds that the extraordinary emergency experienced by Bullitt Utilities justifies a waiver of all such requirements except those noted above.

CPCN

Bullitt Utilities owns the Hunters Hollow wastewater collection system. Prior to the collapse of the 250,000-gallon wastewater treatment plant on March 29, 2014, Bullitt Utilities owned and operated facilities that treated wastewater for approximately 696 customers in Bullitt County.<sup>8</sup>

Since the March 29, 2014 collapse, Bullitt Utilities has contracted with Pecco, Inc. (“Pecco”) and Veolia Water Solutions and Technologies, North America, Inc. (“Veolia”) to provide a temporary wastewater treatment plant for treatment of the wastewater for the Hunters Hollow collection system.<sup>9</sup> Bullitt Utilities initially contracted with Pecco, but the Pecco temporary wastewater treatment plant did not have adequate capacity to treat the wastewater from the Hunters Hollow collection system during wet weather. Bullitt Utilities then contracted with Veolia for a temporary wastewater treatment plant. Veolia continued to use some of Pecco’s equipment.

After investigating alternatives to the temporary wastewater treatment plant, Bullitt Utilities contracted with BCSD as a short-term solution. Pursuant to the terms of the Agreement, Bullitt Utilities proposes the construction of a lift station, installation of a line connecting the Hunters Hollow system to BCSD’s wastewater treatment system, and installation of two flow meters.<sup>10</sup>

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<sup>8</sup> Amended Application, paragraphs 2 and 4 at 1-2.

<sup>9</sup> *Id.* at paragraphs 6 and 9 at 2-3.

<sup>10</sup> Agreement, paragraph 9 at 2; and Motion, paragraph 4 at 3.

Bullitt Utilities obtained an overall quote of \$35,650 for engineering and design work from Bluestone Engineers, PLLC (“Bluestone Engineers”).<sup>11</sup> The quote consists of:

Detailed survey and site design	\$ 2,800
Pump station design for triplex pump	\$ 17,500
Pump remodeling and system head design	\$ 2,500
Structural engineering for wet well, slabs, vaults	\$ 7,000
Project administration and management	\$ 2,500
Bidding/construction inspections	\$ 3,350
Total	\$ 35,650

Bluestone Engineers is familiar with the Hunters Hollow collection system and is able to provide the necessary services within the 60-day time frame established in the Agreement.<sup>12</sup> An actual quote for the construction work cannot be obtained until Bluestone Engineers completes its engineering and design work. Bullitt Utilities estimates that the construction work will cost approximately \$50,000.<sup>13</sup>

Bullitt Utilities proposes to impose a surcharge on its customers to fund the construction as well as recoup funds expended as a result of the failure of the Hunters Hollow wastewater treatment plant.

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

1. Bullitt Utilities has shown good cause to file an amended application, and its request to file the Amended Application should be granted.
2. Bullitt Utilities’ request to deviate from the requirement to file ten copies of the Amended Application should be denied.

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<sup>11</sup> Amended Application, paragraph 24.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.* at paragraph 25.

3. Within ten days of the date of this Order, Bullitt Utilities should cure the filing deficiencies for its request for a surcharge through filing the documents identified in this Order.

4. Bullitt Utilities' request for a rate surcharge as set forth in the Amended Application should be subject to an investigation and addressed in a future order. The information included in Bullitt Utilities' Amended Application on the proposed construction is sufficiently complete and will be addressed in this Order.

5. Bullitt Utilities has a gross plant balance of \$192,813 and net plant balance of \$2,223.<sup>14</sup>

6. The proposed construction project requires a CPCN.

7. Connecting Hunters Hollow collection system to BCSD's wastewater treatment system pursuant to the terms of the Agreement is the least-cost alternative to provide temporary treatment of the wastewater from the Hunters Hollow collection system.

8. The proposed construction will not result in wasteful duplication of existing facilities.

9. The proposed construction does not conflict with any existing certificates or the service of any other utility operating in the area.

10. Public convenience and necessity require the proposed construction to allow Bullitt Utilities to continue to operate the Hunters Hollow collection system and for BCSD to receive and treat the wastewater from the Hunters Hollow collection system.

11. A CPCN should be granted.

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<sup>14</sup> *Annual Report of Bullitt Utilities, Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2013* at 12.

IT IS THEREFORE ORDERED that:

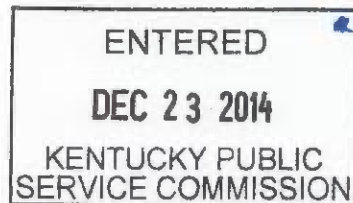
1. Bullitt Utilities' request to file an Amended Application is granted.
2. Bullitt Utilities' request to deviate from filing ten copies is denied.
3. Within ten days from the date of this Order, Bullitt Utilities shall cure all filing deficiencies for its request for a surcharge identified in this Order.
4. The Amended Application for a rate surcharge shall not be considered filed until all deficiencies are cured.
5. Bullitt Utilities' request for a rate surcharge shall be subject to an investigation and addressed in a future order.
6. Bullitt Utilities is granted a CPCN to proceed with the proposed construction of the lift station, installation of a line connecting the Hunters Hollow collection system to BCSD's wastewater treatment system, and installation of two flow meters.
7. Bullitt Utilities shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.
8. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.
9. Bullitt Utilities shall file with the Commission documentation of the total cost 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 is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts.



10. Bullitt Utilities 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 the substantial completion of the construction certificated herein.

11. Bullitt Utilities shall require the 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.

By the Commission



ATTEST:

  
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Executive Director

Honorable Robert C Moore  
Attorney At Law  
Hazelrigg & Cox, LLP  
415 West Main Street  
P.O. Box 676  
Frankfort, KENTUCKY 40602