

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SPRINGCREST SEWER COMPANY, INC.)	
REQUEST FOR DEVIATION FROM)	CASE NO.
807 KAR 5:071, SECTION 7(4))	2014-00277

ORDER

On August 1, 2014, Springcrest Sewer Company, Inc. ("Springcrest") filed a request for a deviation from 807 KAR 5:071, Section 7(4), which requires, among other things, that the utility make inspections of all mechanical equipment on a daily basis. Commission Staff's First Request for Information to Springcrest Sewer Company, Inc. ("Staff's First Request") was filed on September 8, 2014. Springcrest responded to Staff's First Request on September 19, 2014. On October 17, 2014, an informal conference was held. On October 27, 2014, Springcrest filed additional supporting information and modified its request through limiting its request for a deviation to a period of one year.¹

The Springcrest sewer facility serves 42 single-family residential sewer customers in the Equestrian Woods Subdivision in Jessamine County, Kentucky.²

¹ Effective January 4, 2013, revisions to 807 KAR 5:006 were promulgated that, *inter alia*, removed specific inspection requirements that may have conflicted with 807 KAR 5:071, Section 7(4), including eliminating 807 KAR 5:006, Section 25(8)(b), which specified that "[t]he utility shall weekly inspect all mechanical equipment unless otherwise authorized by the commission" [emphasis added].

² *Annual Report of Springcrest Sewer Company, Inc., for Year Ended December 31, 2013* ("Annual Report") at pages 9 and 36 of 44.

Melvin Price is the President of Springcrest.³ The facility was installed by Springcrest Development, Ltd., in approximately 1990. Pursuant to an Order entered by the Commission on February 20, 1996, the system was transferred from Springcrest Development, Ltd. to Springcrest.⁴

The Springcrest sewer facility is a “low pressure system.”⁵ “The plant consists of 4 receiving wells equipped with 12 pumps, which connect to different areas of the drain field.”⁶ The facility has a control panel with a program logic controller that controls flows to the different drain field areas.⁷ The facility includes a float-activated emergency pump that was installed in 2011.⁸ The purpose of the emergency pump is to operate if a problem occurs with the control panel in order to prevent the receiving wells from overflowing.⁹ Springcrest states that the control panel has failed on two occasions in the past 17 years.¹⁰ Springcrest states that homeowners cannot pump to the receiving wells during an area electrical outage.¹¹ Springcrest states that in Case No. 95-289, the

³ *Id.* at page 11 of 44.

⁴ Case No. 95-289, *In the Matter of: The Application of Springcrest Sewer Company, Inc., for Transfer of the Equestrian Woods Septic System and for the Establishment of Initial Rates* (Ky. PSC Feb. 20, 1996), pages 2, 3, and 7.

⁵ Springcrest’s Response to Staff’s First Request, Item 5.

⁶ *Id.*

⁷ Letter from Melvin Price, President of Springcrest, requesting a deviation from 807 KAR 5:071, Section 7(4), received by the Commission on August 1, 2014 (“Price August 1, 2014 Letter”).

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

“Commission found that no more than two [inspection] visits per month were necessary.”¹²

Springcrest states that it has investigated the possibility of utilizing remote monitoring technologies.¹³ Springcrest states that a remote monitoring system “would be the most cost effective solution after the initial cost of the device.”¹⁴ Springcrest provided information that indicates an initial cost range of approximately \$1,567 to \$5,240 for purchasing remote monitoring equipment.¹⁵ Springcrest states that the monthly fees associated with a remote monitoring system range from \$28.00 to \$50.00 per month.¹⁶ Springcrest states that its current financial situation presents a problem in purchasing monitoring equipment.¹⁷ Springcrest states that it will pay off a loan at the end of October 2015, and it will then be in a position to purchase and install monitoring equipment.¹⁸ Therefore, Springcrest seeks a deviation period of one year.¹⁹ Springcrest states that it will conduct the inspections required by 807 KAR 5:071, Section 7(4) on a weekly basis.²⁰

¹² Springcrest’s Filing of Information on October 27, 2014, Item 6.

¹³ Springcrest’s Response to Staff’s First Request, Item 13.

¹⁴ Springcrest’s Filing of Information on October 27, 2014, Item 4.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Springcrest’s Response to Staff’s First Request, Item 13.

¹⁸ Springcrest’s Filing of Information on October 27, 2014, Item 5.

¹⁹ *Id.*, Item 7.

²⁰ Price August 1, 2014 Letter.

Discussion

807 KAR 5:071, Section 7(4), states:

Inspection of facilities. Each sewage utility shall adopt procedures for inspection of its sewage treatment facilities to assure safe and adequate operation of its facilities and compliance with commission rules. These procedures shall be filed with the commission. Unless otherwise authorized in writing by the commission, the sewage utility shall make inspections of collecting sewers and manholes on a scheduled basis at intervals not to exceed one (1) year, unless conditions warrant more frequent inspections and shall make inspections of all mechanical equipment on a daily basis. The sewage utility shall maintain a record of findings and corrective actions required, and/or taken, by location and date.

The daily inspection of mechanical equipment requirement of 807 KAR 5:071, Section 7(4), is for assuring the “safe and adequate operation” of the facilities. The monitoring requirement, along with timely inspection and maintenance activities, helps prevent failures or malfunctions of equipment and helps detect failures or malfunctions within a reasonable amount of time.

Because the facility employs a float-activated emergency pump, Springcrest benefits from a redundancy in facilities that reduces the risk of an overflow.

The Commission finds that because of the time needed to plan, finance, and construct facilities, Springcrest should be given until December 15, 2015, to comply with 807 KAR 5:071, Section 7(4).

The Commission notes that remote monitoring technology through which the system operator can be alerted to a failure or malfunction of the mechanical equipment could provide a level of assurance concerning the safe and adequate operation of the sewer facilities above that of a daily visual inspection. The Commission notes,

however, that Springcrest has not yet submitted a specific proposal that identifies the monitoring technology that it seeks to utilize, the total cost of the equipment, including the cost of installation, and details concerning the financing of the project. Therefore, the record is not sufficiently developed to allow the Commission to make any findings on Springcrest's statements regarding remote monitoring.

The Commission notes that according to Springcrest's 2013 Annual Report, Springcrest has a negative net utility plant of \$23,084.²¹ The cost range of the remote monitoring devices ranges from \$1,567 to \$5,240. A proposal to purchase and install remote monitoring equipment would likely represent an addition of more than 10 percent to Springcrest's net utility plant. The Commission notes that, given the size of the likely increase in Springcrest's net utility plant consequent to the installation of remote monitoring equipment, such a project would materially affect Springcrest's financial condition, would not be an extension in the ordinary course, and would require Springcrest to obtain a Certificate of Public Convenience and Necessity.²²

The Commission notes that Springcrest indicates that it will pay off an existing loan at the end of October 2015. To the extent that Springcrest anticipates that it will thereafter obtain a loan to finance the installation of remote monitoring technology, the Commission notes that "[n]o utility shall issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or

²¹ *Annual Report* at page 12 of 44.

²² See KRS 278.020(1) and 807 KAR 5:001, Section 15(3). See also, for comparison, Case No. 2008-00119, *Application of Northern Kentucky Water District for Approval of Construction and Issuance of a Certificate of Convenience and Necessity for the Purchase and Installation of Automated Meter Reading Equipment* (Ky. PSC July 29, 2008); PSC Staff Opinion 2013-017 (certificate of public convenience and necessity required for purchase and installation of wireless meters and radio read water meter system).

evidences of indebtedness of any other person until it has been authorized to do so by order of the commission.” Therefore, unless the financing is through notes issued by the utility that are exempt from KRS 278.300, financing for a project to install remote monitoring equipment would require Springcrest to obtain an order of the Commission.²³

The Commission notes that Springcrest should take into consideration issues relating to the need for a Certification of Public Convenience and Necessity and authorization for financing as Springcrest develops a plan to comply with 807 KAR 5:071, Section 7(4).

Having reviewed the request and being otherwise sufficiently advised, the Commission finds that Springcrest demonstrates good cause for the Commission to grant Springcrest a one-year deviation, up to and including December 15, 2015, from the requirement pursuant to 807 KAR 5:071, Section 7(4), to make inspections of all mechanical equipment on a daily basis.

IT IS THEREFORE ORDERED that:

1. Springcrest is not in compliance with 807 KAR 5:071, Section 7(4).

²³ See KRS 278.300(8).

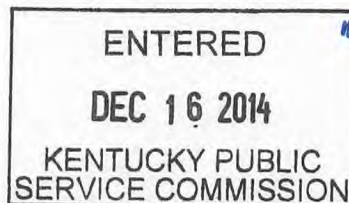
This section [KRS 278.300] does not apply to notes issued by a utility, for proper purposes and not in violation of law, that are payable at periods of not more than two (2) years from the date thereof, or to like notes, payable at a period of not more than two (2) years from the date thereof, that are issued to pay or refund in whole or in part any such notes, or to renewals of such notes from time to time, not exceeding in the aggregate six (6) years from the date of the issue of the original notes so renewed or refunded.

2. Because of the time needed to plan, finance, and construct facilities, Springcrest should be given until December 15, 2015, to comply with the provisions of 807 KAR 5:071, Section 7(4).

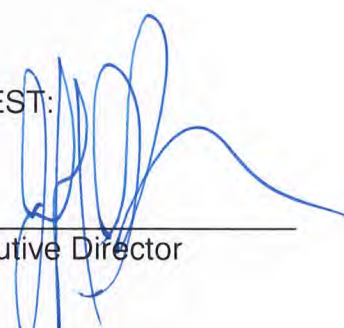
3. Springcrest shall take all necessary actions to bring its inspections of mechanical equipment into compliance with Commission regulations prior to December 15, 2015.

4. Springcrest shall conduct the inspections required by 807 KAR 5:071, Section 7(4), on no less than a weekly basis.

By the Commission



ATTEST:



Executive Director

Melvin Price
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