

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BEECH GROVE WATER	)	
SYSTEM, INC. FOR A CERTIFICATE OF	)	
PUBLIC CONVENIENCE AND NECESSITY AND	)	CASE NO.
TO INCUR INDEBTEDNESS OF \$100,000 FOR	)	2016-00255
THE PURCHASE OF METERING SYSTEM	)	

ORDER

On July 12, 2016, Beech Grove Water System, Inc. (“Beech Grove”) tendered an application (“Application”) requesting authority to incur indebtedness in the approximate principal amount of \$125,251 for the purpose of purchasing an automated metering system. The Commission thereafter concluded that Beech Grove is also required, pursuant to KRS 278.020(1), to obtain a certificate of public convenience and necessity (“CPCN”) in order to purchase and install the automated metering system.<sup>1</sup>

On August 3, 2016, we entered an Order that required Beech Grove to amend its Application through submitting the pleadings and information necessary to request a CPCN for purchasing and installing its proposed automated metering system.<sup>2</sup> We further ordered that Beech Grove’s request for authorization to incur indebtedness be held in abeyance pending acceptance for filing of the pleadings and information necessary to amend the Application.<sup>3</sup>

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<sup>1</sup> Order (Ky. PSC Aug. 3, 2016) at 2.

<sup>2</sup> *Id.* at 3.

<sup>3</sup> *Id.*

Through an Order entered on September 1, 2016, we found that, pursuant to KRS 278.300(2), the Commission must rule on an application for authority to issue or assume securities or evidences of indebtedness within 60 days after it is filed unless it is necessary for good cause to continue the application for a longer time than 60 days.<sup>4</sup> Because Beech Grove's Application, as initially filed, did not request all the necessary authorizations from the Commission, we found that additional time beyond September 23, 2016, was required for the proper review of the Application,<sup>5</sup> and we continued the application beyond the 60-day period.<sup>6</sup>

On September 9, 2016, Beech Grove submitted documents requesting a CPCN, which were filed into the record in the instant case. On September 27, 2016, Beech Grove filed additional information ("Supplemental Information") in support of its request for a CPCN,<sup>7</sup> which was also filed into the record in the instant case. By letter dated October 4, 2016, the Commission notified Beech Grove that its Application met the minimum filing requirements.

On October 11, 2016, Beech Grove submitted an Amended Application regarding the financing of its automated metering system proposal. Whereas Beech Grove had initially requested authorization to incur indebtedness in the approximate principal amount of \$125,251 pursuant to a note or financing agreement with Government Capital Corporation,<sup>8</sup> Beech Grove now requests authorization to incur indebtedness in the

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<sup>4</sup> Order (Ky. PSC Sept. 1, 2016) at 2.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> Supplemental Information (filed Sept. 27, 2016) at 1.

<sup>8</sup> Application (filed July 12, 2016) at 2.

approximate amount of \$100,000 pursuant to a note or financing agreement with Rural Water Revolving Loan Fund.<sup>9</sup>

On its own motion, the Commission finds that the case style for this proceeding should be modified to reflect the fact that Beech Grove requests both an approval of financing and a CPCN through the instant case. We find that the following case style shall be placed on this order and each subsequent paper filed in this case: "APPLICATION OF BEECH GROVE WATER SYSTEM, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND TO INCUR INDEBTEDNESS OF \$100,000 FOR THE PURCHASE OF METERING SYSTEM."

The Commission further finds that Beech Grove should be allowed to amend its Application to reflect the change in its proposed financing of the automated metering system project. We find that Beech Grove should respond to the request for information contained in the Appendix to this Order. We find that there is good cause to continue the review of Beech Grove's Application for approval of financing beyond the 60-day period specified in KRS 278.300(2).

IT IS THEREFORE ORDERED that:

1. Beech Grove shall use the following case style on each subsequent paper filed in this case. "APPLICATION OF BEECH GROVE WATER SYSTEM, INC. FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AND TO INCUR INDEBTEDNESS OF \$100,000 FOR THE PURCHASE OF METERING SYSTEM."

2. Beech Grove's request for approval of financing is amended in that its proposal to incur indebtedness of \$125,251 is now a proposal to incur indebtedness of \$100,000.

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<sup>9</sup> Amended Application (filed Oct. 11, 2016) at 2.

3. Beech Grove's request for approval of the loan to fund the purchase of an automated metering system is continued beyond the 60-day period specified in KRS 278.300(2).

4. The information requested in the Appendix to this Order is due within 14 days of the date of this Order. Pursuant to 807 KAR 5:001, Beech Grove is to file with the Commission the original and ten copies of the information, with a copy to all parties of record.

a. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

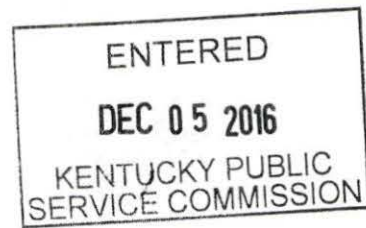
e. Careful attention should be given to copied material to ensure that it is legible.

f. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

g. Any party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

5. Service of any document or pleading required by this Order shall be filed with the Commission and served upon all parties of record in accordance with 807 KAR 5:001, Section 4(8).

By the Commission



ATTEST:

  
Executive Director

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2016-00255 DATED **DEC 05 2016**

1. Refer to the Annual Reports of Beech Grove to the Public Service Commission for the Calendar Years Ended December 31, 2012 (“2012 Annual Report”), December 31, 2013 (“2013 Annual Report”), December 31, 2014 (“2014 Annual Report”), and December 31, 2015 (“2015 Annual Report”). On the schedule referred to as Pumping and Water Statistics – Part One (Ref Page: 29), the total gallons of water sold to customers for each respective year is as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Water Sold to Customers	64,151,000	51,903,000	42,830,000	50,331,000

Explain why there is a large discrepancy between the gallons sold from year to year.

2. Refer to the Supplemental Information,<sup>1</sup> paragraph (g), which states that “the Applicant’s water loss last measured at 22%.” Refer also to Beech Grove’s 2015 Annual Report and 2014 Annual Report, Water Statistics (Ref Page: 30),<sup>2</sup> wherein water loss for each year is stated at 11.7 percent and 16.8 percent respectively.

a. Describe the circumstances behind the discrepancy between the last measured water loss and the water loss that is stated in Beech Grove’s 2015 Annual Report and 2014 Annual Report.

b. Provide each monthly water loss report generated by Beech Grove each month starting with the month ended January 31, 2014, to present.

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<sup>1</sup> Supplemental Information (filed Sept. 27, 2016) at 2.

<sup>2</sup> 2015 Annual Report at 61 and 2014 Annual Report at 61.

c. Explain in detail how the proposed automated meter reading system will decrease Beech Grove's water loss.

3. State whether Beech Grove plans to test the meters before placing them into service. If testing is not planned, state whether Beech Grove will be relying on the meter manufacturer's testing data. Provide the meter manufacturer's testing data.

4. Refer to Beech Grove's attached Exhibit in its documents requesting a CPCN, submitted September 9, 2016. On page 2 of its October 11 Amended Application, Beech Grove states that it intends "to borrow funds from [a] Rural Water Revolving Loan Fund in the principal amount of \$100,000."<sup>3</sup> Within the same Amended Application, page 3, paragraph 8, states that "the Uses of Funds to be obtained from the issuance of the Rural Water were previously filed herein."<sup>4</sup> In the Exhibit attached to its documents requesting a CPCN submitted on September 9, 2016, Beech Grove supplies a quote from a vendor indicating that the total cost of the automated metering system that Beech Grove proposes to purchase is \$130,234.

a. Reconcile the difference between the \$100,000 that is currently proposed in the Amended Application and the \$130,234 that is required for the purchase of the automated meter reading system in its documents requesting a CPCN submitted on September 9, 2016.

b. Provide an updated schedule that clearly shows the number of meters Beech Grove intends to purchase, the purchase price of each individual meter for 5/8-inch x 3/4-inch meters and 1-inch meters, the individual purchase price of any

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<sup>3</sup> Amended Application (Oct. 11, 2016) at 2.

<sup>4</sup> *Id.* at 3.

appurtenances required to install the automated meter reading system, and a grand total for all equipment and software required to install the system.

c. For individual meters that are being purchased, provide a detailed breakdown of the cost of each component of the meter (i.e., meter, meter setting, radio read endpoints, etc.) with a total for each type of meter that corresponds to the purchase price of the individual meters listed in Item b. above.

5. State whether Beech Grove has performed a cost-benefit analysis of installing the proposed automated metering system. If so, provide the results of this analysis, including the details of any cost saving that will be realized through installing the automated metering system. If no cost-benefit analysis has been performed, explain why it was not performed.



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