

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ADAIR COUNTY WATER	)	
DISTRICT FOR THE ISSUANCE OF A CERTIFICATE	)	
OF PUBLIC CONVENIENCE AND NECESSITY TO	)	CASE NO.
CONSTRUCT A WATER SYSTEM IMPROVEMENTS	)	2017-00064
PROJECT PURSUANT TO THE PROVISIONS OF	)	
KRS 278.020 AND 807 KAR 5:001	)	

ORDER

Adair County Water District ("Adair District") has applied for a Certificate of Public Convenience and Necessity ("CPCN") to construct a waterworks project consisting of extensions, additions and improvements to its existing waterworks system, and for approval of its financing of the proposed project.

The Commission notes that in its 2015 Annual Report, Adair District reported a water loss of 17.2792 percent. Commission regulation 807 KAR 5:066(6)(3) states that for ratemaking purposes, a utility's unaccounted-for water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Adair District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Adair District to make significant process towards reducing

unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Adair District filed an application for a CPCN on February 6, 2017, which was accepted for filing as of that date. No person has sought intervention in this matter, and Adair District has not requested a hearing. The record for this case is complete.

Adair District, a water district organized under KRS Chapter 74, provides retail water service to approximately 7,776 customers in Adair County.<sup>1</sup> Adair District purchases water from the Columbia Utilities Commission and Campbellsville Municipal Water and Sewer System.<sup>2</sup> Adair District requests a CPCN for the construction of approximately 29,620 linear feet of 8-inch pipeline. The proposed line will parallel with an existing 4-inch line and will include the necessary valve and blow-offs required to operate in conjunction with the existing waterline.<sup>3</sup>

The total cost of the proposed project, including administrative, legal, engineering, construction, and contingencies, is \$613,266.43. This project is to be financed with remaining funds from the Kentucky Infrastructure Authority ("KIA")-administered Kentucky Drinking Water State Revolving Fund F ("DWSRF"), DWSRF Loan number F12-04 in the amount of \$4,000,000.<sup>4</sup> The Commission previously

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<sup>1</sup> *Annual Report of Adair County Water District Report to the Kentucky Public Service Commission for the Year Ended December 31, 2015 at 53.*

<sup>2</sup> *Id.* at 58.

<sup>3</sup> Application, Exhibit A.

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

authorized Adair District to enter into the loan agreement in its final Order in Case No. 2014-00020, dated March 4, 2014.<sup>5</sup>

Monarch Engineering, Inc. of Lawrenceburg, Kentucky, prepared the plans and specifications for the proposed project.

The Kentucky Division of Water ("KDOW") approved the plans and specifications for the proposed project by letter dated February 13, 2017.<sup>6</sup>

The Kentucky Transportation Cabinet issued the encroachment permit on October 24, 2016.<sup>7</sup>

Adair District states that growth in the project area has made the system unable to consistently supply the necessary amount of water on a continuous basis. The proposed improvements will return the system to a safe level of operation, ensuring customers in the project area will receive safe and reliable drinking water.<sup>8</sup>

Having reviewed the record and being sufficiently advised, the Commission finds that:

1. The record for this case is complete.
2. The proposed construction will not result in wasteful duplication of existing facilities.

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<sup>5</sup> Case No. 2014-00020, *Application of the Adair County Water District for a Certificate of Public Convenience and Necessity to Construct a Water Improvements Project and to Issue Securities in the Approximate Amount of \$1,095,000 to Finance Said Project Pursuant to KRS 278.020 and 278.300* (Ky. PSC Mar. 4, 2014).

<sup>6</sup> February 16, 2017 filing.

<sup>7</sup> *Id.*, Exhibit B.

<sup>8</sup> *Id.*, Exhibit A.

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

4. Public convenience and necessity require the proposed construction, which allows Adair District to provide reliable and adequate water service to its customers.

5. KDOW has approved the plans and specifications for this proposed project.

6. The project will be funded from remaining funds from the KIA-administered DWSRF Loan number F12-04 in the amount of \$4,000,000, as approved by the Commission in Case No. 2014-00020.<sup>9</sup>

7. By that same final Order, the Commission ordered that the proceeds from the proposed Assistance Agreement should be used only for the lawful purposes set forth in its amended application, and that none of the proceeds shall be used for the construction of any improvements except those clearly identified in Adair District's application in that proceeding, unless and until Adair District is granted a CPCN to construct such improvements.<sup>10</sup>

8. Except for the portions approved in Case No. 2014-00020, and the Fairplay Water Line Improvements project outlined in its application, Adair District has not yet applied for a CPCN for the remaining portions of its project.

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<sup>9</sup> Final Order at 6. (Ky. PSC Mar. 4, 2014).

<sup>10</sup> *Id.*

9. No determination is made in this Order regarding the need for or reasonableness of those portions of the project that are not included in this application, nor is the use of any proceeds from Adair District's KIA loan for those improvements authorized until and unless Adair District is granted a CPCN to construct such improvements.

IT IS THEREFORE ORDERED that:

1. Adair District is granted a CPCN to proceed with the proposed construction as set forth in its application.

2. Adair District is authorized to use the proceeds in the amount of \$613,266,43 from its KIA-administered loan, obtained via its executed Assistance Agreement on May 8, 2014 in the amount of \$4,000,000, for the purposes of the construction outlined in its application.

3. None of the remaining proceeds from the executed Assistance Agreement shall be used for the construction of any improvements unless and until Adair District is granted a CPCN to construct such improvements.

4. Adair District shall notify the Commission prior to performing any additional construction not expressly authorized by this order.

5. Any deviation from the construction approved by this Order shall be undertaken only with the prior approval of the Commission.

6. Adair District shall require 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.

7. Adair District shall file with the Commission documentation of the total costs of this project, including the cost of construction and all other capitalized costs, (e.g., engineering, legal, administrative, etc.) within 60 days of the date that construction authorized under this CPCN 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.

8. Adair District shall file 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.

9. Any documents filed in the future pursuant to ordering paragraphs 2, 5, and 6 shall reference this case number and shall be retained in the post case correspondence file.

10. The Executive Director is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon Adair District's showing of good cause for such extension.

By the Commission

ENTERED  
MAR 09 2017  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
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