

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| ELECTRONIC APPLICATION OF CHRISTIAN    | ) |            |
| COUNTY WATER DISTRICT FOR THE ISSUANCE | ) |            |
| OF A CERTIFICATE OF PUBLIC CONVENIENCE | ) | CASE NO.   |
| AND NECESSITY TO CONSTRUCT A WATER     | ) | 2023-00341 |
| SYSTEM IMPROVEMENTS PROJECT            | ) |            |
| PURSUANT TO THE PROVISIONS OF KRS      | ) |            |
| 278.020 AND 807 KAR 5:001              | ) |            |

ORDER

On October 31, 2023, Christian County Water District (Christian District) filed an application pursuant to KRS 278.020 and 807 KAR 5:001, Section 15, seeking a Certificate of Public Convenience and Necessity (CPCN) to construct a number of water line extensions to be financed with proceeds of a grant from the Kentucky Cleaner Water Program, administered by the Kentucky Infrastructure Authority (KIA). No party requested intervention in this proceeding. Commission Staff issued a data request to Christian District on November 16, 2023, with a response date of November 30, 2023. Christian District provided its responses on November 21, 2023. This matter stands submitted for a decision based on the written record.

LEGAL STANDARD

No utility may construct or acquire any facility to be used in providing utility service to the public until it has obtained a CPCN from this Commission.<sup>1</sup> To obtain a CPCN, the

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<sup>1</sup> KRS 278.020(1). Although the statute exempts certain types of projects from the requirement to obtain a CPCN, the exemptions are not applicable.

utility must demonstrate a need for such facilities and an absence of wasteful duplication.<sup>2</sup> “Need” requires:

[A] showing of a substantial inadequacy of existing service, involving a consumer market sufficiently large to make it economically feasible for the new system or facility to be constructed or operated.

[T]he inadequacy must be due either to a substantial deficiency of service facilities, beyond what could be supplied by normal improvements in the ordinary course of business; or to indifference, poor management or disregard of the rights of consumers, persisting over such a period of time as to establish an inability or unwillingness to render adequate service.<sup>3</sup>

“Wasteful duplication” is defined as “an excess of capacity over need” and “an excessive investment in relation to productivity or efficiency, and an unnecessary multiplicity of physical properties.”<sup>4</sup> To demonstrate that a proposed facility does not result in wasteful duplication, the Commission has held that the applicant must demonstrate that a thorough review of all reasonable alternatives has been performed.<sup>5</sup> Although cost is a factor, selection of a proposal that ultimately costs more than an

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<sup>2</sup> *Kentucky Utilities Co. v. Public Service Commission*, 252 S.W.2d 885 (Ky. 1952).

<sup>3</sup> *Kentucky Utilities Co.*, 252 S.W.2d at 890.

<sup>4</sup> *Kentucky Utilities Co.*, 252 S.W.2d at 890.

<sup>5</sup> Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for a Certificate of Public Convenience and Necessity for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005), Order at 11.

alternative does not necessarily result in wasteful duplication.<sup>6</sup> All relevant factors must be balanced.<sup>7</sup>

## BACKGROUND

Christian District, a water district organized under KRS Chapter 74, proposed to extend its service lines along or in the vicinity of ten roadways<sup>8</sup> in order to expand its service to unserved or underserved areas in Christian County, Kentucky. Easements have been obtained for some, but not all of the proposed water line pathways.<sup>9</sup>

The project includes the installation of approximately 5,585 linear feet (LF) of 6-inch waterline, 34,193 LF of 4-inch waterline, and nearly 18,955 LF of 3-inch waterline. Engineers performed a hydraulic analysis for each proposed water line, looking into “the projected demand, the terrain, the anticipated growth in the area, the potential for further development and the need to maintain good water quality to determine the size of the pipe.”<sup>10</sup>

Christian District planned to complete the extensions using its own staff due to concerns about the availability of supplies and component contracts.<sup>11</sup> Christian District

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<sup>6</sup> See *Kentucky Utilities Co. v. Public Service Commission*, 390 S.W.2d 168, 175 (Ky. 1965). See also Case No. 2005-00089, *Application of East Kentucky Power Cooperative, Inc. for a Certificate of Public Convenience and Necessity for the Construction of a 138 kV Electric Transmission Line in Rowan County, Kentucky* (Ky. PSC Aug. 19, 2005), final Order.

<sup>7</sup> Case No. 2005-00089, Aug. 19, 2005 final Order at 6.

<sup>8</sup> Christian District proposed to extend waterlines along the following roads: Daniel Road, Carnael Lane, Cerulean Springs Road, Fentress Lane, Hoover Lane, Long Lane, Owen West Road, Pleasant Grove Road, Pruitt Lane, and Root Road.

<sup>9</sup> Christian District’s Response to Commission Staff’s First Request for Information (Staff’s First Request) (filed Nov. 21, 2023), Item 1b, Exhibit A.

<sup>10</sup> Christian District’s Response to Staff’s First Request, Item 1f.

<sup>11</sup> Application, Exhibit A.

also plans to keep inventory of project materials on hand so that there are no delays in implementing the projects. Christian District discussed that it has been installing water mains since 1997. Christian District requested bids for materials on September 15, 2023, and stated that it evaluated said bids based on availability and price, and awarded bids to different suppliers based on this criterion.<sup>12</sup>

The estimated cost of the project is \$1,142,550, including \$899,000 for materials and supplies, \$153,000 for administrative, construction, legal and engineering work, and an \$89,900 contingency.<sup>13</sup> Christian District proposed that the newly installed water lines will be depreciated over a 50-year useful life, using the straight-line method of depreciation.<sup>14</sup>

Christian District stated that it has been awarded grant funding in the amount of \$3,170,000 from the Kentucky Cleaner Water Program to extend service to unserved areas in Christian County.<sup>15</sup> Christian District “maintains a list of unserved areas and plans to provide service to these areas as funding becomes available, such as the funds awarded in the grant.”<sup>16</sup> Based on the information supplied by Christian District, this phase of the proposed extension will extend service to areas based on the list of unserved areas it maintains. However, after consulting with engineers and material suppliers, Christian District selected projects in this phase that could be completed by its own staff.

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<sup>12</sup> Application, Exhibit A-5.

<sup>13</sup> Application, Exhibit A-6.

<sup>14</sup> Christian District’s Response to Staff’s First Request, Item 1g.

<sup>15</sup> Application, Exhibit A-1.

<sup>16</sup> Christian District’s Response to Staff’s First Request, Item 1d.

The KIA, which administers the grant funds, agreed to allow Christian District to use its own staff to complete this phase of the extensions and to allow it to obtain reimbursement for eligible project costs.<sup>17</sup> In the event of a cost overrun, Christian District stated that it will either reduce the scope of the project, seek additional funding, or use available funds (or some combination).<sup>18</sup>

### DISCUSSION AND ANALYSIS

Having considered the application and being otherwise sufficiently advised, the Commission finds that the proposed construction should be granted. Christian District has met its burden to establish that the proposed project is needed and will not result in wasteful duplication of services or facilities.

The project is needed to provide service to areas previously not served in Christian County, which shows a substantial inadequacy of service based on the information provided in the hydraulics report. Approximately 31 unserved homes and one school will have access to Christian District's services as a result of this project. The grant funding provided makes service to these homes and the school economically feasible and is being provided specifically to extend service to unserved areas. In addition, though, cost overruns would likely affect planned future phases, Christian District does not expect to use all grant funds during this phase of construction.

Christian District avoids wasteful duplication for this project by planning to install water lines in unserved areas that currently do not have access to Christian District's

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<sup>17</sup> Application, Exhibit A and A-3.

<sup>18</sup> Christian District's Response to Staff's First Request, Item 3.

resources. Christian District also conducted a thorough review of reasonable alternatives for areas in which to install the pipelines, means of installation, and material suppliers.

Christian District's engineers performed an analysis to determine the optimized plan for installation of the pipelines based on a list of unserved areas maintained by Christian District. In this determination, the engineers looked at "topological features and barriers, hydraulic studies and cost of construction to lay out the best design and route for the water lines to achieve Christian District's goals."<sup>19</sup> Christian District, in consultation with its engineers, determined that installing water lines itself was the most cost-effective alternative due to material storages and contractor availability. The KIA's approval of reimbursement for project costs also supports a finding that utilizing Christian District's own workforce would be cost-effective.

Christian District's process of selecting suppliers for the project's required materials was based both on lowest price and availability. Christian District received bids from six different suppliers and selected the bids for different materials from five out of the six suppliers based on availability and lowest price.

IT IS THEREFORE ORDERED that:

1. Christian District's request for a CPCN for the proposed project described in its application is granted.
2. Christian District shall immediately notify the Commission upon knowledge of any material changes to the project, including, but not limited to, a material increase in costs and any significant delays in construction.

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<sup>19</sup> Christian District's Response to Staff's First Request, Item 1e.

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

4. Christian District shall file with the Commission documentation of the total costs of the projects, 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 electric utilities as prescribed by the Commission.

5. Christian District shall file a copy of the “as-built” drawings, if any, and a certified statement that the construction has been satisfactorily completed accordance with plans and specifications within 60 days of the substantial completion of the construction certificated herein.

6. Any documents filed in the future pursuant to ordering paragraphs 4 and 5 shall reference this case number and shall be retained in the post case correspondence file.

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

8. This case is closed and is removed from the Commission's docket.

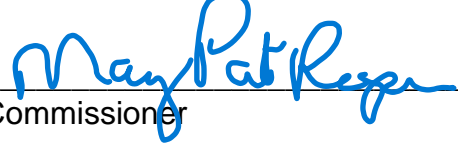
PUBLIC SERVICE COMMISSION



Chairman



Vice Chairman



Commissioner

ENTERED  
JAN 10 2024 rcs  
KENTUCKY PUBLIC  
SERVICE COMMISSION

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