

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

Beech Grove Water System, Inc. (“Beech Grove”) has applied for a Certificate of Public Convenience and Necessity (“CPCN”) for the purpose of purchasing an automated metering system and for approval of its financing of the proposed project. Beech Grove does not propose to adjust its rates.

On July 12, 2016, Beech Grove tendered its initial application (“Application”) requesting authority to incur indebtedness in the “approximate principal amount of \$125,251” for the purpose of purchasing an automated metering system.¹ Finding that Beech Grove was also required, pursuant to KRS 278.020(1) to obtain a CPCN for the purchase and installation of the system, the Commission entered an Order that required Beech Grove to amend its Application and submit the information necessary to request a CPCN for purchasing and installing its proposed automated metering system.² Beech Grove satisfied the minimum filing requirements for requesting a CPCN and approval of

¹ Application at 1.

² Order (Ky. PSC Dec. 5, 2016) at 1.

financing through filing a supplement to its Application (“Supplemental Application”) on September 27, 2016.³

Through a filing on October 11, 2016, Beech Grove submitted an amendment of its request for approval of financing of its proposal (“Amended Application”).⁴ Beech Grove withdrew its initial request for authorization to incur indebtedness in the amount of \$125,251 pursuant to a note or financing agreement with Government Capital Corporation in favor of a request to incur indebtedness in the approximate amount of \$100,000 pursuant to a note or financing agreement with Rural Water Revolving Loan Fund.⁵ On December 5, 2017, the Commission entered an Order that, among other things, amended the Beech Grove’s request for approval of financing from a proposal to incur indebtedness of \$125,251 to a proposal to incur indebtedness of \$100,000.⁶

No party has sought intervention in this matter, and Beech Grove did not request a hearing. The record in this case is complete, and the matter stands ready for decision.

Beech Grove, a water district organized under KRS Chapter 74, provides retail water service to approximately 616 customers in Daviess and McLean counties, Kentucky.⁷

³ *Id.*

⁴ *Id.*

⁵ *Id.* at 2 and 3.

⁶ *Id.* at 3.

⁷ *Annual Report of Beech Grove Water System, Inc. to the Kentucky Public Service Commission for the Year Ended December 31, 2015* at 12 and 53.

The proposed project entails the purchase and installation of approximately 525 5/8" x 3/4" radio frequency meters and 55 1" radio frequency meters along with hardware and software.⁸

Beech Grove opened bids for this project on September 10, 2016. G&C Supply Company, Inc. was the sole bidder and was awarded the bid. The total construction cost of the project as bid is \$130,234.14.⁹ This project is to be financed through an Assistance Agreement with the Kentucky Rural Water Revolving Loan Fund ("Rural Water") of \$100,000¹⁰ and \$30,234 from Beech Grove's existing funds.¹¹

The \$100,000 Rural Water loan is to be repaid over a ten-year term at an interest rate of 3.00 percent fixed per annum with the first payment beginning one month after execution and continuing thereafter for an additional 119 months.¹²

Beech Grove states that the automated metering system is needed because the utility has fallen behind on the replacement of approximately 25 percent of its existing meters. Beech Grove states that it has 103 meters that are at least ten years old. Beech Grove claims that a new efficient metering system would benefit the entire system and that it would be difficult and inefficient to have a system that utilizes both manually read meters as well as radio frequency meters.¹³

⁸ Supplemental Application (filed Sept. 27, 2016) at 1, Item (c).

⁹ *Id.* at 2, Item (d).

¹⁰ Amended Application (filed Oct. 11, 2016) at 2, Item 5.

¹¹ Beech Grove's response to Commission's First Request for Information (filed Dec. 19, 2016) at 6 and 7.

¹² Amended Application (filed Oct. 11, 2016) at 2, Item 6.

¹³ Supplemental Application (filed Sept. 27, 2016) at 2, Item (g).

Beech Grove does not intend to reduce personnel but rather divert the existing meter reading man-hours to maintenance and leak prevention and repair. Beech Grove's cost of operation will not decrease as a result of this installation.¹⁴ However the time savings from manual meter reading will be spent on maintenance and leak repair, resulting in a more efficient system.

Having reviewed the Amended Application and being otherwise 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.
3. The proposed construction does not conflict with any existing certificates or the service of any other utility operating in the area.
4. Public convenience and necessity require the proposed construction, which will allow Beech Grove to provide reliable and adequate water service to its customers.
5. The project will be funded with a Rural Water loan in the amount of \$100,000, and \$30,234 of internal funds.
6. The proposed Assistance Agreement with Rural Water is for lawful objects within Beech Grove's corporate purpose. It is necessary for, appropriate for, and consistent with the proper performance of Beech Grove's service to the public, will not impair Beech Grove's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

¹⁴ *Id.* at 3, Item (h).

7. Beech Grove should be authorized to utilize \$100,000 of the proceeds of the Assistance Agreement on the project approved herein.

IT IS THEREFORE ORDERED that:

1. Beech Grove is granted a CPCN to proceed with the proposed project as set forth in its Amended Application.

2. Beech Grove shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

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

4. Beech Grove 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.

5. Beech Grove is authorized to enter the proposed Assistance Agreement with Rural Water and, under the terms of the Assistance Agreement, to borrow from Rural Water an amount not to exceed \$100,000 to be repaid over a 10-year period at an interest rate of 3.00 percent per annum.

6. Within 30 days of executing its proposed Assistance Agreement with Rural Water, Beech Grove shall file with the Commission an executed copy of the Assistance Agreement. Beech Grove shall use \$100,000 of the proceeds from the proposed Assistance Agreement with Rural Water only for the lawful purposes set forth in its Amended Application. None of the proceeds shall be used for the construction of any

project not approved by the Commission, except those clearly identified in Beech Grove's Application in this proceeding, unless and until Beech Grove obtains prior Commission approval for the use of the proceeds.

7. Beech Grove 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. Beech Grove 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, 6, 7, and 8 shall reference this case number and shall be retained in the post case reference file.

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

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any other agency thereof as to the securities authorized herein.

By the Commission

ENTERED
MAR 09 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

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