

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE MOUNTAIN WATER DISTRICT)	
FOR THE ISSUANCE OF A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO CONSTRUCT)	CASE NO.
AND FINANCE A SEWER SYSTEM IMPROVEMENTS)	2017-00150
PROJECT PURSUANT TO THE PROVISIONS OF)	
KRS 278.020, KRS 278.300, 807 KAR 5:001 AND)	
807 KAR 5:071)	

ORDER

Mountain Water District (“Mountain Water”) has applied for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a sewer system improvements project and for approval, pursuant to KRS 278.300, of the issuance of securities to finance a portion of the project. Mountain Water does not propose to adjust its rates.

Mountain Water filed an application for a CPCN on March 27, 2017. By letter dated April 4, 2017, the Commission notified Mountain Water that its application was rejected as deficient. On April 20, 2017, Mountain Water submitted information curing the filing deficiencies, and by letter dated April 20, 2017, the Commission notified Mountain Water that the application was deemed filed. No party has sought intervention in this matter, and Mountain Water did not request a hearing. The record in this case is complete, and the matter stands ready for decision.

Mountain Water, a water and sewer district organized under KRS Chapter 74, provides retail water service to approximately 16,898 customers, wholesale water service

to the city of Elkhorn, Martin County Water District, and Mingo County PSD,¹ and sanitary sewer service to approximately 2,333 customers in Pike County.²

Mountain Water's application for a CPCN proposes to replace aging and out-of-warranty residential grinder units within the force main system with newer, more efficient grinder units.³ The total estimated cost of the proposed project, including administrative, legal, engineering design and construction, and equipment, is \$300,000.⁴ This project will be funded from a KIA Fund A loan of \$300,000.⁵ The KIA Loan is to be repaid over a 20-year term at an interest rate of 0.75 percent per annum, with a loan-servicing fee of 0.20 percent of the annual outstanding loan balance payable to KIA with each interest payment.

This residential grinder unit project will upgrade and replace approximately 260 aging and failing out-of-warranty residential grinder units.⁶ Mountain Water states that the more efficient replacement models will save on the water district's energy costs. Mountain Water further states that the replacement models will contribute to the efficiency of installing, repairing, and maintaining inventory of the force main system, and therefore

¹ *Annual Report of Mountain Water and Sewer District, Water Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2015* at 12, 53, and 60.

² *Annual Report of Mountain Water and Sewer District, Sewer Utilities Report to the Kentucky Public Service Commission for the Year Ended December 31, 2015* at 36.

³ Application, Exhibit A, Letter from Roy B. Sawyers, District Manager, Mountain Water District, dated February 13, 2017.

⁴ Id., Exhibit C, Kentucky Infrastructure Authority ("KIA") Conditional Commitment Letter to Mountain Water dated August 15, 2016, Attachment A.

⁵ Id., KIA Conditional Commitment Letter to Mountain Water dated August 15, 2016

⁶ Id., paragraph 5(iii) and PSC Letter Filing Documents into Record (May 23, 2017), electronic mail message from Randy Jones dated May 18, 2017.

keeps the cost of operation and maintenance lower than it would be with the utilization of multiple brands and parts, and the retrofitting that would otherwise be necessary.⁷

Mountain Water did not bid the grinder pump units because there is only one distributor for the specific pumps that are compatible with the force main system. Mountain Water asserts that it has been authorized by the Kentucky Division of Water to use these specific pumps in order to maintain consistency throughout the system.⁸ Mountain Water also states that district personnel are providing the labor necessary for installation of the units.

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.
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 Mountain Water to provide reliable and adequate sanitary sewer services to its customers.
5. The project will be funded from a KIA Fund A loan of \$300,000.
6. The proposed Assistance Agreement with KIA is for lawful objects within Mountain Water's corporate purpose. It is necessary for, appropriate for, and consistent

⁷ *Id.*, Exhibit A.

⁸ *Id.*, paragraph 9.

with the proper performance of Mountain Water's service to the public, will not impair Mountain Water's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

7. Mountain Water should be authorized to utilize \$300,000 of the Assistance Agreement on the project approved herein.

8. Mountain Water's application does not include a proposal to adjust rates.

IT IS THEREFORE ORDERED that:

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

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

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

4. Mountain Water 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. Mountain Water is authorized to enter the proposed Assistance Agreement with KIA and, under the terms of the Assistance Agreement, to borrow from KIA an amount not to exceed \$300,000 to be repaid over a 20-year period at an interest rate of 0.75 percent per annum, with a loan-servicing fee of 0.20 percent of the annual outstanding loan balance payable to KIA with each interest payment.

6. Within 30 days of executing its proposed Assistance Agreement with KIA, Mountain Water shall file with the Commission an executed copy of the Assistance Agreement. Mountain Water shall use the \$300,000 proceeds from the proposed Assistance Agreement with KIA only for the lawful purposes set forth in its application. None of the proceeds shall be used for the construction of any project not clearly identified in Mountain Water's Application and approved by the Commission in this proceeding, unless and until Mountain Water obtains prior Commission approval for the use of the proceeds.

7. Mountain Water 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) 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 sewer utilities prescribed by the Commission.

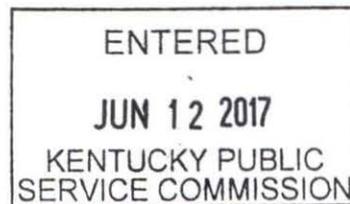
8. Mountain Water shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

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 correspondence file.

10. The Executive Director is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon Mountain Water'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 agency thereof as to the securities authorized herein.

By the Commission



ATTEST:

A handwritten signature in blue ink, appearing to be "B. B. Ar", written over a horizontal line.

Executive Director

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