

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	)	2017-00372
PROJECT PURSUANT TO THE PROVISIONS OF	)	
KRS 278.020 AND 807 KAR 5:001	)	

ORDER

On September 11, 2017, Adair County Water District (“Adair County”) submitted an application for a Certificate of Public Convenience and Necessity (“CPCN”) to construct a water works improvement project. No person has sought intervention in this matter, and Adair County has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

Adair County, a water district organized under KRS Chapter 74, provides retail water service to approximately 7,858 customers in Adair County, Kentucky.<sup>1</sup>

The Commission notes that in its 2016 Annual Report, Adair County reported a water loss of 18.9942 percent.<sup>2</sup> Commission regulation 807 KAR 5:066, Section (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.

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<sup>1</sup> *Annual Report of Adair County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2016, (2016 Annual Report)* at 12 and 48.

<sup>2</sup> 2016 Annual Report at 56, line 33.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Adair County to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Adair County to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Adair County's application for a CPCN proposes to install approximately 5,300 linear feet of 8-inch water mains, 560 linear feet of 6-inch water mains, 1,200 linear feet of 4-inch water mains, and 660 linear feet of 3-inch water mains replacement and extensions and associated appurtenances. The proposal includes replacing existing water lines that are asbestos cement-lined water distribution mains that are undersized. The replacement of these lines will eliminate the continuous maintenance problem due to deterioration and improve water quality of the water line in the system.<sup>3</sup>

The total cost of the proposed project, including administrative, legal, engineering, construction, and contingencies, is approximately \$1,349,091. This project is to be financed with funds remaining from the Downtown Water Systems Improvements project through a Kentucky Infrastructure Authority State Revolving Fund (Fund F) Loan of \$4,000,000 that was previously approved by the Commission in Case No. 2014-00020.<sup>4</sup>

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

<sup>4</sup> *Id.*, Item 5(v). 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 \$1,085,000 to Finance Said Project Pursuant to KRS 278.020 and KRS 278.300* (Ky. PSC Mar. 4, 2014).

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 of the proposed project on July 19, 2017.<sup>5</sup> The Kentucky Transportation Cabinet approved Encroachment Permits on June 6, 2017.<sup>6</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.
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 will allow Adair County to continue providing reliable and adequate water services to its customers.
5. KDOW has approved the plans and specifications for this proposed project.
6. Adair County should be authorized to utilize \$1,349,091 of the Assistance Agreement on the project approved herein.

IT IS THEREFORE ORDERED that:

1. Adair County is granted a CPCN for the proposed project as submitted.

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<sup>5</sup> *Id.*, Exhibit B.

<sup>6</sup> *Id.*, Exhibit B.

2. Adair County is authorized to use the funds previously approved from KIA in Case No. 2014-00020 in the amount of \$1,349,091.

3. The proceeds previously approved from KIA in Case No. 2014-00020 shall be used only for the purposes specified in Adair County's application.

4. Adair County shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

5. Adair County 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 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.

6. Adair County 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.

7. Adair County shall require construction to be inspected under the general supervision of a 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.

8. Adair County shall notify the commission in writing one week prior to the actual start of construction and at the 50 percent completion point.

9. Any documents filed in the future pursuant to ordering paragraphs 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 County's showing of good cause for such extension.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

By the Commission



ATTEST:



Executive Director

\*William Harris  
Chairman  
Adair County Water District  
109 Grant Lane  
P. O. Box 567  
Columbia, KY 42728

\*Adair County Water District  
109 Grant Lane  
P. O. Box 567  
Columbia, KY 42728

\*Honorable W. Randall Jones  
Attorney at Law  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, KENTUCKY 40202