

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF HARDIN)	
COUNTY WATER DISTRICT NO. 2 FOR A)	CASE NO.
CERTIFICATE OF PUBLIC CONVENIENCE)	2017-00264
AND NECESSITY)	

ORDER

On August 21, 2017, Hardin County Water District No. 2 (“Hardin County”) submitted an application for a Certificate of Public Convenience and Necessity (“CPCN”) to construct the Nolin Wastewater Project. By letter dated September 1, 2017, the Commission notified Hardin County that minimum filing requirements had been met and that the application had been accepted for filing. On October 9, 2017, Hardin County filed the First Supplement to the Application. No person has sought intervention in this matter, and Hardin County has not requested a hearing. The record for this case is complete, and the matter stands ready for decision.

The Commission notes that in its 2016 Annual Report, Hardin County reported a water loss of 17.8971 percent. 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.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly

encourages Hardin County to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Hardin County to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

Hardin County, a water district organized under KRS Chapter 74, provides retail water service to approximately 27,451 customers in Hardin, Hart, and LaRue counties, Kentucky.¹ Currently, Hardin County provides no sewer service.

Hardin County's application for a CPCN proposes construction of the Nolin Wastewater Project to serve a portion of southern Hardin County that currently lacks municipal wastewater service. The project involves the construction of 15,415 linear feet of 8-inch polyvinyl chloride ("PVC") gravity sewer line; 8,135 linear feet of 10-inch PVC gravity sewer line; 2,195 linear feet of 12-inch PVC gravity sewer line; 1,465 linear feet of 24-inch PVC gravity sewer line; 7,565 linear feet of 4-inch PVC force main; 15,140 linear feet of 6-inch PVC force main; 16,170 linear feet of 8-inch PVC force main; 6,760 linear feet of 10-inch PVC force main; 6,760 linear feet of 12-inch PVC force main; 29,690 linear feet of 16-inch PVC force main; and four pump stations.² The engineering firm Strand Associates, Inc. prepared the plans and specifications for the proposed project.³ The total cost of the proposed project, including engineering, construction, and contingencies,

¹ *Annual Report of Hardin County Water District No. 2 to the Kentucky Public Service Commission for the Year Ended December 31, 2016 at 14, and 48.*

² Application at Paragraph 7 and First Supplement to Application at Paragraph 5.

³ Application at Paragraph 10.

is approximately \$16,600,000.⁴ This project will be funded through two grants totaling \$16,600,000.⁵

The proposed project, once completed, will transport wastewater to the Elizabethtown Wastewater Treatment Plant (“EWTP”).⁶ Hardin County has reached an agreement in principle with the city of Elizabethtown for the treatment of wastewater that Hardin County transports.⁷ A contract for that treatment service will be filed with the Commission in the near future. Hardin County anticipates that the approximate annual cost to operate the proposed sewer facilities to be \$126,000. However, Hardin County is not seeking approval for new rates for wastewater service, but is instead electing to seek those rates in a future application to be filed once the project is under construction.⁸ Hardin County will operate the proposed sewer facilities without any subsidies from its water operations and will keep separate books and records for each utility operation.

In support of the application, Hardin County states that the present wastewater service in the North Upper Nolin River sub-watershed is inadequate. No municipal wastewater service provider presently serves the project service area. Four small package wastewater treatment plants provide limited wastewater service. These plants have a combined treatment capacity of 148,200 gallons per day, but none of the plants is a utility subject to the jurisdiction of the Commission.⁹ Hardin County further states that

⁴ Application at Paragraph 39.

⁵ *Id.* at Paragraph 8.

⁶ *Id.* at Paragraph 16.

⁷ *Id.* at Paragraph 44.

⁸ *Id.* at Paragraph 43.

none of the existing wastewater facilities are able to support growth in the project service area; each is reaching the end of its maximum life span, and with each passing year, the risk increases that one or more of these facilities will fail, causing significant adverse public health and economic consequences.¹⁰ Hardin County also states that the project will have the capacity to serve customers who currently are served by septic systems, but are expected to connect to the project as these septic systems no longer function.¹¹

Hardin County opened bids for this project on August 16, 2017, with a submission deadline of September 13, 2017.¹² The certified bid tabulations were filed with the Commission with the First Supplement to the Application.¹³ The First Supplement to the Application also included a revised project cost summary for the proposed project. The revision included changes to construction, engineering, and other costs; however, the overall total project cost remained unchanged.¹⁴ Hardin County awarded all contracts at its Board of Commissioners meeting held October 17, 2017.¹⁵

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

1. The record for this case is complete.

⁹ *Id.* at Paragraph 15(a).

¹⁰ *Id.* at Paragraph 15(b).

¹¹ *Id.* at Paragraph 14 and 15(c).

¹² *Id.* at 38.

¹³ First Supplement to the Application, Exhibit 33.

¹⁴ *Id.*, Exhibit 34.

¹⁵ Second Supplement to the Application, Exhibit 37.

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. KRS 278.020(1) provides that “[n]o person . . . shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any of the services enumerated in KRS 278.010 . . . until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction.”

5. KRS 278.020(1) requires that Hardin District obtain a Certificate of Public Convenience and Necessity prior to providing sewage collection and transmission service.

6. Public convenience and necessity require Hardin District’s proposed provision of wastewater collection and transmission service to areas within its existing territorial boundary.

7. Public convenience and necessity require the proposed construction, which will allow Hardin County to provide reliable and adequate sewer collection and transportation service to its customers.

8. The project will be financed through two grants totaling \$16,600,000. The Kentucky Economic Development Finance Authority has awarded a grant of \$16,000,000 of Economic Development Bond funds to Hardin County Fiscal Court for the benefit of Hardin County to “construct a wastewater collection system in the Nolin River area watershed to alleviate inadequate on-site treatment; to provide wastewater collection and

transportation from residential areas and the industrial site in Glendale to an existing treatment facility around Elizabethtown; and to provide for the potential increase in water use in Hardin County's related to BRAC (Base Realignment and Closure) activities." Similarly, the Kentucky General Assembly in its 2006 Regular Session¹⁶ appropriated \$600,000 for Hardin County's use to establish a wastewater collection system.¹⁷

IT IS THEREFORE ORDERED that:

1. Hardin County is granted a CPCN to provide sewer collection and transmission service within its existing territorial boundary.
2. Hardin County is granted a CPCN to proceed with the proposed construction as set forth in its application.
3. Hardin County shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.
4. Any deviation from the construction and repairs approved by this Order shall be undertaken only with the prior approval of the Commission.
5. Hardin County 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.
6. Hardin County shall submit an application to the Commission prior to issuing any securities that require approval pursuant to KRS 278.300.

¹⁶ 2006 Ky. Acts., Ch. 252.

¹⁷ Application, Paragraph 40.

7. Hardin County shall file with the Commission documentation of the total costs of this project, including the cost of construction and repairs and all other capitalized costs, (e.g., engineering, legal, and administrative) within 60 days of the date that construction authorized under this CPCN is substantially completed. Construction and repair costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

8. Hardin 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.

9. Any documents filed in the future pursuant to ordering paragraphs 3, 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 Hardin County's showing of good cause for such extension.

By the Commission

ENTERED
NOV 01 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2017-00264

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