

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WESTERN)	
PULASKI COUNTY WATER DISTRICT FOR THE)	
ISSUANCE OF A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO)	CASE NO.
CONSTRUCT A WATER SYSTEM)	2021-00417
IMPROVEMENTS PROJECT PURSUANT TO THE)	
PROVISIONS OF KRS 278.020 AND 807 KAR)	
5:001)	

ORDER

On November 24, 2021, Western Pulaski County Water District (Western Pulaski District) filed an application pursuant to KRS 270.020 and 807 KAR 5:001, Section 15, seeking a Certificate of Public Convenience and Necessity (CPCN) for replacement of a water line along Kentucky Highway 80 (KY-80) in Pulaski County, Kentucky. Western Pulaski District is not seeking an adjustment in its rates in connection with this application.¹

The Commission issued an Order on December 29, 2021, establishing a procedural schedule for the processing of this case. The procedural schedule provided for, among other things, a deadline for intervention requests and two rounds of discovery upon Western Pulaski District's application. No party requested intervention in this proceeding. Commission Staff issued, and Western Pulaski District responded to, two

¹ Application, paragraph 7.

rounds of discovery.² The Commission has received information sufficient to issue a ruling in this case.

BACKGROUND

Pursuant to Commission regulation 807 KAR 5:066, Section (6)3, water loss is limited to 15.00 percent for ratemaking purposes. The Commission Staff notes that Western Pulaski District reported a water loss of 27.67 percent in its 2020 Annual Report.³ At a 27.67 percent water loss, the annual cost of water loss in excess of 15.00 percent is \$181,652 and the total annual cost of water loss to Western Pulaski District is \$396,710.⁴ The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Western Pulaski District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Western Pulaski District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

² Western Pulaski District’s Response to Commission Staff’s First Request for Information (filed Jan. 13, 2022); Western Pulaski District’s Response to Commission Staff’s Second Request for Information (Response to Staff’s Second Request) (filed Feb. 10, 2022).

³ *Annual Report of Western Pulaski County Water District to the Public Service Commission for the Year Ended December 31, 2020* at 57 and 58.

4

	Purchased Water	Purchased Power	Total
Allowable Purchases	\$ 1,353,614	\$ 80,106	\$ 1,433,720
Multiplied by: Percentage Water Loss Excesss	12.67%	12.67%	12.67%
Cost of Exces Water Loss	\$ 171,503	\$ 10,149	\$ 181,652
	Purchased Water	Purchased Power	Total
Allowable Purchases	\$ 1,353,614	\$ 80,106	\$ 1,433,720
Multiplied by: Percentage Water Loss Excesss	27.67%	27.67%	27.67%
Cost of Water Loss	\$ 374,545	\$ 22,165	\$ 396,710

Western Pulaski District sought to help reduce its excessive water loss by initiating a replacement plan for an 11,750 linear foot stretch of transmission main (KY-80 main) along KY-80.⁵ Western Pulaski District reported 11 leaks in the existing KY-80 main since 2019.⁶ In its final Orders in Case Nos 2020-00119⁷ and 2020-00331⁸ the Commission expressed its concern regarding the excessive water loss present on Western Pulaski District's system and ordered Western Pulaski District to file an application for an adjustment of rates.⁹ On December 7, 2021, Western Pulaski District filed an application for an adjustment of rates, pursuant to Commission regulation 807 KAR 5:076.¹⁰ That application is currently pending with the Commission.

The KY-80 main supplies water to Lee's Ford Pump Station, which services the areas of Nancy, Faubush, and Jabez.¹¹ The station is currently operating 24 hours per day, every day.¹² The existing KY-80 main consists of eight-inch and six-inch diameter

⁵ Application, Exhibit A.

⁶ Western Pulaski District's Response to Staff's Second Request, Item 8, Exhibit B.

⁷ Case No. 2020-00119, *Electronic Application of Western Pulaski County Water District for a Certificate of Public Convenience and Necessity to Construct a Water Improvements Project Pursuant to KRS 278.020 and KAR 5:001* (Ky. PSC July 2, 2020).

⁸ Case No. 2020-00331, *Electronic Application of the Western Pulaski County Water District for the Issuance of a Certificate of Public Convenience and Necessity to Construct a Water System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to the Provisions of KRS 278.020, KRS 278.300 and 807 KAR 5:001* (Ky. PSC Dec. 17, 2020).

⁹ See Case No. 2020-00119 *Western Pulaski County Water District* (Ky. PSC July 28, 2021). The Commission clarified that Western Pulaski District was to file its application for an adjustment of rates no later than Dec. 17, 2021.

¹⁰ Case No 2021-00445 *Electronic Application of Western Pulaski County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (filed Dec. 7, 2021).

¹¹ Application, Exhibit A.

¹² Western Pulaski District's Response to Staff's Second Request, Item 1.

pipes.¹³ Western Pulaski District stated in its application that in order to supply the necessary capacity to Lee's Ford Pump Station, it needs to replace the KY-80 main with 12-inch pipe.¹⁴ Western Pulaski District also sought approval to use ductile iron water line instead of PVC.¹⁵

The project financing originates from residual funds from two prior approved Kentucky Infrastructure Authority (KIA) loans¹⁶ totaling \$429,678. This is the estimated cost of the first phase of the project, which covers 2,400 linear feet of transmission main.¹⁷ The project was competitively bid via advertisement in the local newspaper.¹⁸ Western Pulaski District accepted the lowest of four bids.¹⁹ Western Pulaski District intends to replace the remaining 9,350 linear feet of KY-80 main once additional funding is obtained.²⁰

Western Pulaski District argued that replacement of existing waterlines is necessary due to the age and condition of the existing eight-inch and six-inch KY-80 main

¹³ Application, Exhibit A.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Loans were approved in Case No. 2017-00063, *Application of Western Pulaski County Water District for the Issuance of a Certificate of Public Convenience and Necessity to Construct a Water Improvements Project and Authorizing the Issuance of Securities for the Purpose of Financing Said Project Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Apr. 6, 2017), Order at 4; and Case No. 2020-00331, *Electronic Application of the Western Pulaski County Water District for the Issuance of a Certificate of Public Convenience and Necessity to Construct a Water System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to the Provisions of KRS 278.020, KRS 278.300 and 807 KAR 5:001* (Ky. PSC Dec. 17, 2020), Order at 10.

¹⁷ Application, Exhibit A.

¹⁸ Western Pulaski District's Response to Staff's Second Request, Item 9.

¹⁹ Application, Exhibit E.

²⁰ Application, Exhibit A.

causing leaks.²¹ Instead of spending an estimated \$289,550²² to replace the existing KY-80 main with the same size lines, West Pulaski District sought to use 12-inch pipe to increase capacity. Western Pulaski District stated that upgrading to 12-inch main will increase the capacity to the Lee's Ford Pump Station from 800 gallons per minute (GPM) to 1,200 GPM.²³ Western Pulaski District stated that the extra capacity was needed to serve the growing areas of Nancy, Faubush, and Jabez.²⁴ The Lee's Ford Pump Station pumps to three separate supply tanks that have capacities of 100,000 gallons, 200,000 gallons, and 400,000 gallons.²⁵ The hydraulic model provided by Monarch Engineering, Inc. calculated that 1200 GPM would maintain two complete tank cycles within a 72-hour period for each tank and keep Lee's Ford Pump Station from running continuously.²⁶

The pipe material selected was based on current supply chain issues--ductile iron water main in the 12-inch size is more readily available than PVC according to Western Pulaski District.²⁷ Additionally, Western Pulaski District stated that the impact strength, tensile strength, and burst strength are greater for ductile iron than PVC. Western Pulaski District argued that the topography creates a difficult environment for installation and maintenance, so durability important.²⁸

²¹ *Id.*

²² Western Pulaski District's Response to Staff's Second Request, Item 5, Exhibit A.

²³ *Id.*, Item 4.

²⁴ Application, Exhibit A.

²⁵ Western Pulaski District's Response to Staff's Second Request, Item 8.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

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.²⁹ To obtain a CPCN, the utility must demonstrate a need for such facilities and an absence of wasteful duplication.³⁰

"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.³¹

"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."³² 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.³³

²⁹ KRS 278.020(1). Although the statute exempts certain types of projects from the requirement to obtain a CPCN, the exemptions are not applicable.

³⁰ *Kentucky Utilities Co. v. Pub. Serv. Comm 'n*, 252 S.W.2d 885 (Ky. 1952).

³¹ *Id.* at 890.

³² *Id.*

³³ 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).

Although cost is a factor, selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication.³⁴ All relevant factors must be balanced.³⁵

DISCUSSION AND FINDINGS

Having considered the application and all evidence in the record, the Commission finds that the CPCN shall be granted. The project is needed in order for Western Pulaski District to continue to reduce its excessive water loss by the replacement of existing water lines due to frequent leaks. Since Western Pulaski District is experiencing water loss in excess of the 15 percent limit set by 807 KAR 5:066, Section 6(3), replacement or repair of leaking water lines is a priority. Although the project would be less costly if the KY-80 main were replaced with the same size piping, increasing to 12-inch pipe addresses the capacity need as well. Increased capacity to the Lee's Ford Pump Station is anticipated to reduce pump usage, thereby reducing power consumption and wear-and-tear on the system as well as allowing for regular maintenance with minimal service interruptions.

The proposed project and design avoids wasteful duplication by replacing the KY-80 main with larger lines, addressing both line leaks and capacity issues. It combines the costs of resolving both problems. Western Pulaski District addressed the alternative of replacing the 2,400 linear feet of water main with the same size pipe, which would only reduce the cost by 23 percent, but would not solve the capacity concern.

³⁴ See *Kentucky Utilities Co. v. Pub. Serv. Comm'n*, 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.

³⁵ Case No. 2005-00089, *East Kentucky Power Cooperative, Inc.* (Ky. PSC Aug. 19, 2005), final Order at 6.

The project was competitively bid via newspaper advertisement and Western Pulaski District accepted the lowest bid. Ductile Iron pipe was selected based on relative cost, availability, and strength. It is expected to last considerably longer than PVC.³⁶ The Commission finds this selection reasonable under the circumstances.

The Commission approved a similar project for Western Pulaski District,³⁷ which involved replacing a leaking ten-inch waterline on a bridge across KY-80 with 12-inch iron pipe in an effort to reduce excess water loss.

Therefore, the Commission finds that the construction activities described in Western Pulaski District's CPCN application reflect the need and a lack of wasteful duplication due to adoption of a reasonable and cost-effective alternative.

IT IS THEREFORE ORDERED that:

1. Western Pulaski District's request for a CPCN to replace 2,400 linear feet of KY-80 transmission main as described in its application is granted.
2. Western Pulaski District 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, and administrative), 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.
3. Western Pulaski District shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction has been satisfactorily

³⁶ *Id.*

³⁷ Case No. 2020-00331, *Western Pulaski County Water District* (Ky. PSC Dec. 17, 2020), Order.

completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

4. Western Pulaski District shall require the 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.

5. Any documents filed in the future pursuant to ordering paragraphs 2 through 4 shall reference this case number and shall be retained in the utility's general correspondence files.

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

By the Commission



ATTEST:


Executive Director

Case No. 2021-00417

*Deron S Byrne, P.E.
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, KENTUCKY 40342

*Tammy Vaught
Office Manager
Western Pulaski County Water District
2128 West Highway 80
Somerset, KY 42503

*Western Pulaski County Water District
2128 West Highway 80
Somerset, KY 42503

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