

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTHERN MADISON)	
WATER DISTRICT FOR A CERTIFICATE OF)	CASE NO.
CONVENIENCE AND NECESSITY TO COMPLETE)	92-161
CONSTRUCTION OF STORAGE FACILITIES)	

O R D E R

On April 6, 1992, Southern Madison Water District ("Southern Madison") petitioned the Commission for a Certificate of Public Convenience and Necessity to construct a duplex water pumping station to serve a recently constructed 90,000-gallon water storage tank. An engineering review of the petition was conducted by Commission staff to determine the effect the water tank and pumping station would have upon Southern Madison's water distribution system. Based on the findings from their review, Commission staff issued a report on January 29, 1993 recommending that the certificate be denied. Southern Madison responded to the report by reiterating its need for the pumping station and requesting a formal hearing. A hearing was held before the Commission on April 23, 1993 at which Southern Madison appeared and was represented by counsel.

FINDINGS OF FACT

Southern Madison owns and operates facilities in southern Madison County that are used in distributing or furnishing water to or for the public for compensation. The area served is bisected by Interstate 75 which generally runs in a north-south direction.

Southern Madison has no treatment plant of its own and buys all of its water from Berea College. The system serves approximately 2,300 customers.

The water storage tank to be served by the new pumping station was constructed during the fall of 1990. The tank is located in an area of high elevation and must be filled with a pump. When the tank was constructed, Southern Madison intended to fill the tank with an existing pump located approximately one mile to the north. However, when Southern Madison attempted to fill the tank using that pump, the pressures necessary were too great for the water lines feeding the tank and one of them burst. Because it has no other means of filling the water tank, the water tank has never been put into operation.

The water tank is located in an area of high elevation on the west side of Interstate 75 referred to as Dogwood Heights. Located nearby is an area known as Braggs Lane. Braggs Lane is one of two problem areas where water pressure is below levels required by Commission regulations. The second area, known as the South U.S. Highway 25 area, is located on the east side of Interstate 75. To increase water pressures in these areas to acceptable levels, the

Commission, on August 14, 1986 in Case No. 9596,¹ ordered Southern Madison to install a hydropneumatic pump in each area. That Order is presently in abeyance pending the outcome in this case. The water storage tank was constructed as an alternative to the hydropneumatic pumps.

The estimated cost associated with the installation of the two hydropneumatic pumps is less than the cost associated with the installation of a duplex pumping station for which the certificate is being sought. The estimated cost of the hydropneumatic pumps is \$25,000 for each. By contrast, the duplex pumping station would cost approximately \$25,000 to install and would require an additional \$10,000 to \$15,000 for a control system to coordinate the operation of the pump with an existing pumping station in the system. In addition, \$25,000 would be required to construct water lines from the storage tank to the South U.S. Highway 25 problem area. Thus, the estimated cost associated with installing the hydropneumatic pumps is \$50,000 compared to \$60,000 to \$65,000 for installing the duplex pump.

¹ The Application of the Southern Madison Water District, A Water District Organized Pursuant to Chapter 74 of the Kentucky Revised Statutes, of Madison County, Kentucky for (I) Approval of the Adjustment of Water Rates Proposed to be Charged by the District to Customers of the District; (II) A Certificate of Public Convenience and Necessity, Authorizing and Permitting Said Water District to Construct an Extension to its Waterworks Distribution System; and (III) Approval of the Proposed Plan of Financing of Said Improvements and Extension of Said Waterworks Distribution System.

Because hydropneumatic pumps rely heavily on electricity for their operation, despite the difference in cost, Southern Madison prefers the system in which the water storage tank will be filled by electrically operated pumps but could be emptied by gravity. Because they do not depend as much on electricity, storage tanks are not as affected by power outages, and Southern Madison considers storage tanks a more reliable source of water than hydropneumatic pumps. While two hydropneumatic pumps would be sufficient for the current number of customers in the two problem areas, new developments are being planned for Dogwood Heights, and a hydropneumatic pump to serve Braggs Lane may not be sufficient to meet the needs of both Braggs Lane and Dogwood Heights in the future. However, the water tank, if operated properly, could meet both the present and some future needs of the areas.

CONCLUSIONS OF LAW

Southern Madison is a public utility subject to the jurisdiction of this Commission. As a public utility, Southern Madison may not construct any major improvement to its system without first obtaining a certificate from this Commission "that public convenience and necessity require such construction." KRS 278.020(1). To qualify for a certificate, Southern Madison must demonstrate that there is a demand and need for the proposed facilities and that the proposed facilities provide a reasonable and efficient means of meeting that demand and need. Kentucky Utilities Company vs. Public Service Commission, 252 S.W.2d 885, 890 (1952).

While the installation of two hydropneumatic pumps is estimated to cost less than the installation of the duplex pump for which the certificate is sought, the difference in the estimated cost between the two options is not considered significant. In addition to meeting the minimum pressure requirements of the two problem areas, the proposed duplex pump will allow for some future development of Dogwood Heights and should provide a source of water that is less susceptible to interruptions in the event of a power outage. Therefore, public convenience and necessity will be better served by the duplex pump, and the certificate should be granted.

This Commission being otherwise sufficiently advised,

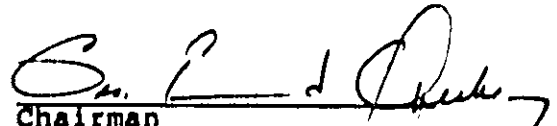
IT IS ORDERED that:

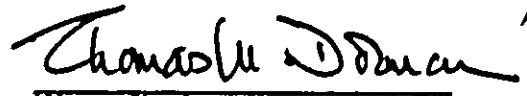
1. Southern Madison is granted a Certificate of Public Convenience and Necessity to construct the duplex water pumping station described in its petition.


2. Southern Madison shall submit to the Commission within 90 days from the date of this Order plans for extending service from the water storage tank to the South U.S. Highway 25 area for the purpose of complying with the requirements of the Order of August 14, 1986 in Case No. 9596.

Done at Frankfort, Kentucky, this 14th day of June, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:



Executive Director