

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY-AMERICAN)	
WATER COMPANY FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY)	CASE NO. 2004-00254
AUTHORIZING THE CONSTRUCTION OF A ONE)	
(1) MILLION GALLON GROUND STORAGE TANK)	
AND PUMP STATION)	

ORDER

Kentucky-American Water Company (“Kentucky-American”) has applied for a Certificate of Public Convenience and Necessity to construct a ground water storage tank and pump station.¹ Having reviewed the application and evidence of record, the Commission finds that:

1. Kentucky-American is a Kentucky corporation that furnishes retail water service to approximately 107,699 water customers in Fayette, Bourbon, Clark, Gallatin, Grant, Harrison, Owen, Scott, and Woodford counties, Kentucky.² It provides wholesale water service to the cities of Midway, North Middleton, Georgetown, and Versailles,

¹ Kentucky-American tendered its application on June 18, 2004. After reviewing the application, the Commission’s Executive Director found that it failed to conform to KRS 322.340. Kentucky-American cured the deficiencies in its application on July 8, 2004. No person has sought intervention in this proceeding.

² Annual Report of Kentucky-American Water Company to the Public Service Commission for the Year Ended December 31, 2003 (“Annual Report 2003”) at 30.

Kentucky; Jessamine-South Elkhorn Water District; and Harrison County Water Association.³

2. Kentucky-American currently owns 12 water storage tanks⁴ with a total capacity of 16.59 million gallons to serve its Central District.⁵ Eight of these tanks have booster facilities on site to force stored water into Kentucky-American's distribution system.⁶

3. The demand for water service in Kentucky-American's Central District has increased significantly in recent years. In its 1993 Storage Capacity Analysis, Kentucky-American projected maximum day pumpage for its Central District to be 65.05 million gallons per day ("MGD") in 2000 and 65.23 MGD in 2005.⁷ On June 13, 2000, the Central District required service pumpage of 66 MGD.⁸ On August 5, 2002, it required service pumpage of 71.82 MGD.⁹

³ Id. at 32.

⁴ Id. at 36 – 37; Kentucky-American Water Company Storage Capacity Analysis (Nov. 15, 2002) at 1- 3. This amount does not include the recently constructed Lexington Clays Mill Tank No. 2 that has a storage volume of 3 million gallons. See Kentucky-American Water Co., Case No. 2003-00270 (Ky.PSC Sep. 9, 2003).

⁵ The Central District includes all of Kentucky-American's operations in central Kentucky, but excludes its operations in and around Owen County.

⁶ Annual Report 2003 at 36 – 37; Kentucky-American Water Company Storage Capacity Analysis at 1- 3.

⁷ Kentucky-American Water Company Storage Analysis (Sept. 1993) at 10.

⁸ Annual Report of Kentucky-American Water Company to the Public Service Commission for the Year Ended December 31, 2000 at 54.

⁹ Kentucky-American Water Company Storage Analysis (Nov. 15, 2002) at 6.

4. Kentucky-American currently fails to comply with the water storage requirements set forth in Administrative Regulation 807 KAR 5:066, Section 4(4), which requires a water distribution utility to maintain minimum storage capacity equal to its average daily consumption. The Commission has permitted Kentucky-American to deviate from this regulation if it maintains in its main service area a minimum of one-half of its system's average daily requirement in storage with the other half to be provided through its standby production and pumping facilities at the Richmond Road Station and standby power facilities at the Kentucky River Station.¹⁰ This deviation is expressly premised upon Kentucky-American's construction of the necessary storage facilities to meet this minimum by December 31, 2005.¹¹

5. Kentucky-American proposes to construct a million gallon ground water storage tank on Russell Cave Road in Fayette County, Kentucky, just south of the Fayette County-Bourbon County line. This facility will initially be connected to Kentucky-American's existing distribution system through an 8-inch main running along Russell Cave Road. Eventually it will be connected to Kentucky-American's distribution system through a 12-inch main that will run parallel to the Paris-Georgetown Road (U.S. Highway 25) and connected to a 24-inch main at Newtown Road (State Highway 922).

6. Kentucky-American further proposes to construct a pump station that will be initially equipped with one 1-MGD pump to serve the proposed tank and existing 8-inch main and later equipped with two 3-MGD pumps to serve the proposed tank when

¹⁰ Kentucky-American Water Co., Case No. 1993-00432 (Ky.PSC Dec. 20, 1993) at 3 – 4.

¹¹ Id. at 4.

the subsequent main connections are made. The pump station will also have emergency power generation to serve the proposed tank and pump station.

7. Kentucky-American estimates that the total cost of the proposed construction is \$1.5 million. Kentucky-American intends to finance the proposed construction from existing funds and short-term debt which will later be converted to long-term debt and equity.

8. Kentucky-American estimates that its cost of operations will increase as a result of the proposed construction. It estimates that initial annual fuel cost of the operation will be \$4,800 and will increase to \$7,800 when the 3-MGD pumps are installed in the proposed pump station. Estimated annual depreciation is \$84,750.

9. On June 3, 2004, the Division of Water of the Kentucky Environmental and Public Protection Cabinet approved the submitted plans and specifications.¹²

10. The proposed construction is necessary to enable Kentucky-American to take other tanks out of service temporarily for maintenance and repair purposes without adversely affecting quality or reliability of service to Kentucky-American customers in Scott County, Kentucky.

11. The proposed construction is consistent with Kentucky-American's 1992 Least Cost Comprehensive Planning Study.¹³

12. The proposed construction is consistent with the storage analysis of Kentucky-American's distribution system that the Commission has previously approved

¹² Letter from Donna S. Marlin, Manager, Drinking Water Branch, Division of Water, to Shannyn C. Walker, Engineer, Kentucky-American Water Co. (June 3, 2004).

¹³ American Water Works Service Co., Kentucky-American Water Company Least Cost/Comprehensive Planning Study – 1992 (July 9, 1992) at 6-51.

and will assist Kentucky-American in meeting its minimum water storage requirements.¹⁴

13. The proposed construction will not result in wasteful duplication of facilities.

14. The proposed facility will not conflict with the existing certificates or service of other utilities operating in the same area and under the Commission's jurisdiction.

15. The public convenience and necessity require the proposed construction.

IT IS THEREFORE ORDERED that:

1. Kentucky-American is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in its plans and specifications.

2. Kentucky-American shall obtain approval from the Commission prior to performing any additional construction that is not an ordinary extension in the usual course of business or 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. Kentucky-American shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially

¹⁴ Kentucky-American Water Co., Case No. 1993-00432 (Ky.PSC Dec. 20, 1993) at 3 – 4.

completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

5. Kentucky-American 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 the construction 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. Kentucky-American 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.

Done at Frankfort, Kentucky, this 7th day of September, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a solid horizontal line.

Executive Director