

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

ELECTRONIC APPLICATION OF THE )  
 BRACKEN COUNTY WATER DISTRICT )  
 FOR THE ISSUANCE OF A CERTIFICATE )  
 OF PUBLIC CONVENIENCE AND NECESSITY )  
 TO CONSTRUCT A WATER SYSTEM )  
 IMPROVEMENTS PROJECT AND AN ORDER ) Case No. 2021 - 00467  
 AUTHORIZING THE ISSUANCE OF SECURITIES )  
 PURSUANT TO THE PROVISIONS OF )  
 KRS 278.020, KRS 278.300 AND 807 KAR 5:001 )

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**RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

The Applicant, Bracken County Water District ("Bracken District"), by Counsel, files this Response to Commission Staff's First Request for Information dated January 10, 2022.

**Request No. 1:** State the basis for the application for a Certificate of Public Convenience and Necessity (CPCN), including whether KRS 278.020(1)(a)(3) applied to this circumstance.

**Witness:** W. Randall Jones, Esq., Counsel to Bracken District.

**Response No. 1.** KRS 278.020(1)(a)(3) provides an exception to the necessity of obtaining a CPCN in situations where a water district is constructing a water line extension or improvement project that will cost no more than \$500,000. It further states that a water district "shall not, as a result of the water line extension or improvement project, increase rates to its customers". In this Case, Bracken District is requesting approval to borrow less than \$500,000 (\$315,000 with a 10% variance), which meets the first condition of the CPCN exception [KRS 278.020(1)(a)(3)(a)],

however, it is unclear whether the second condition can be met. The final debt service requirements on the proposed loan will not be known until the sale date (projected for February 15, 2022) of the KRWFC Bonds being issued to fund the proposed loan to Bracken District. Moreover, since January 27, 2021, Bracken District has been under an order of the Commission to apply for a rate adjustment no later than January 27, 2022 (Case No. 2020-00271). The undersigned Counsel is not representing Bracken District in that matter but has been advised that Bracken District has been preparing the rate application for several months and expects to file its application no later than January 26, 2022. Counsel has been further advised that the application will be filed pursuant to 807 KAR 5:076 and, therefore, the reasonableness of the proposed rates will be determined using a historical test period ending December 31, 2020, adjusted for known and measurable changes. When Bracken District files its application for rate adjustment, the debt service requirements on the proposed loan will not be known and will not be included in the calculation of the proposed rates. Counsel has been further advised that once the proposed loan is finalized and the debt service requirements are known, Bracken District will supplement its application to inform the Commission of the closing of the proposed loan and the loan's final debt service requirements but Bracken District will not revise its proposed rates (revising the proposed rates would have the effect of filing a new application - see 807 KAR 5:067, Section 8). It is possible that the Commission will consider the proposed loan's debt service requirements when establishing new rates for Bracken District. It is also possible that Bracken District's proposed rates, which do not consider the proposed loan's debt service requirements, will produce sufficient revenues to meet the coverage requirements of the proposed loan. In that instance, the proposed construction would have no affect on the current or proposed rates. Given the uncertainty regarding the debt service requirements of the proposed loan, whether

those requirements would be considered in Bracken District's upcoming rate application and whether Bracken District's proposed rates will be sufficient to service the proposed loan without any further adjustment, as well as the absence of any Commission precedent on this point, Bracken District determined that the most appropriate course of action was to apply for a CPCN in this case.

**Request No. 2.** Refer to the Additional Project Description filed on December 22, 2021. Provide a summary of the leaks and breaks occurring from 2018 through the current date along the 2,100 linear feet of PVC water main to be replaced.

**Witness:** Paul Reynolds, Bluegrass Engineering, PLLC., Engineers to Bracken District.

**Response No. 2.** The most recent maintenance records for this portion of Bracken District's distribution system involved the replacement of an inoperable gate valve near the terminus of the proposed water main replacement near Bracken District's existing pump station and clear well. This maintenance occurred during the summer of 2021. Other than this maintenance, Bracken District has no record of other repairs on this section of water main within the requested three year period.

**Request No. 3.** Provide any studies or industry documentation that support the proposition that ductile iron is preferable over PVC for water mains.

**Witness:** Paul Reynolds, Bluegrass Engineering, PLLC., Engineers to Bracken District.

**Response No. 3.** Bracken District proposes to utilize ductile iron water main for the proposed project as opposed to PVC water main for many reasons. Currently, due to supply chain issues, ductile iron water main in this size is more readily available than PVC. The current industry conditions have created a situation in which the price difference between ductile iron and PVC are not as substantial as they once were. Hydraulically, ductile iron pipe provides a larger interior diameter when compared to PVC based upon nominal diameters. Additionally, the impact strength,

tensile strength and burst strength are greater for ductile iron than PVC. The topography of this proposed water main extension creates a difficult environment for installation and maintenance, thus the recommendation to utilize ductile iron as it is less likely than PVC to lose its strength and dependability over the course of its life cycle. This water main is the primary source of potable water to Bracken District's entire customer base, thus all of the previously mentioned factors are preferable for this particular installation.

**Request No. 4.** Explain whether this project will be included in the application to be filed in Case No. 2021-00415.

**Witness:** Paul Reynolds, Bluegrass Engineering, PLLC., Engineers to Bracken District.

**Response No. 4.** The total projected project costs have not been included in Case No. 2021-00415.

**Request No. 5.** If the project has been bid at this time, document any changes in cost in the project from the original bid to the cost of the project, as it currently stands. Provide any additional permit or easements obtained to complete this project.

**Witness:** Paul Reynolds, Bluegrass Engineering, PLLC., Engineers to Bracken District.

**Response No. 5.** There are currently no changes in the projected cost from those previously filed in this Case. The easement filed as Exhibit C to the Application is the only easement necessary for the project as the entire length of water main is located on the property of only one owner.

**Request No. 6.** Refer to the Application, Exhibit E. Provide a final cost for the construction of the 2,100 linear feet of water main to be replaced in the same detail and format as Exhibit E.

**Witness:** Paul Reynolds, Bluegrass Engineering, PLLC., Engineers to Bracken District.

**Response No. 6.** See Exhibit A attached hereto.

**Certification of Responses to Commission Staff's First Request for Information**

I hereby certify that I have supervised the preparation of the Responses to the Commission Staff's First Request for Information. This information provided in the Responses is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.




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Paul Reynolds  
Bluegrass Engineering, PLLC

Respectfully Submitted,

Rubin & Hays

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**CERTIFICATE OF SERVICE**

The undersigned, in accordance with 807 KAR 5:001, Section 8, hereby certifies that the Bracken County Water District's electronic filing of the foregoing Response to Filing Deficiencies is a true and accurate copy of the document that was electronic filing was transmitted to the Kentucky Public Service Commission on January 17, 2022; that there are currently no parties that the Kentucky Public Service Commission has excused from participation by electronic means in this proceeding.

  
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# **EXHIBIT A**

## Detailed Final Project Budget



Client: Bracken County Water District  
 Project: Augusta Supply Line Replacement  
 w/Additional Footage  
 Date: 10/2/2021

Construction Costs					
Item #	Description	Quantity	Unit	Unit Cost	Item Cost
1	12" Ductile Iron Class 350	2,100	LF	\$ 125.00	\$ 262,500
2	12" Gate Valve & Box	2	EA	\$ 3,000.00	\$ 6,000
<b>Total - Construction Cost</b>					\$ 268,500
Non-Construction Costs					
Contingencies @ 10.0%					
Administrative & Legal Expenses					
Interest Expenses					
Land, Appraisals, Easements					
Planning					\$ 5,000
Engineering Fees - Design					\$ 9,000
Engineering Fees - Construction Administration					\$ 3,050
Engineering Fees - Inspection					\$ 7,250
Engineering Fees - Other					
<b>Total - Non-Construction Costs</b>					\$ 24,300
<b>Total - Project Costs</b>					\$ 292,800