

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
CANNONSBURG WATER DISTRICT FOR AN)	
ORDER AUTHORIZING THE ISSUANCE OF)	
INDEBTEDNESS AND FOR A CERTIFICATE)	
OF PUBLIC CONVENIENCE AND NECESSITY)	
TO INSTALL A ZONE METERING SYSTEM)	CASE NO.
IMPROVEMENT AND OTHER SYSTEM)	2020-00118
IMPROVEMENTS, AUTHORIZATION TO)	
EXECUTE AN ASSISTANCE AGREEMENT)	
WITH THE KENTUCKY INFRASTRUCTURE)	
AUTHORITY AND AUTHORIZATION TO)	
DISBURSE SURCHARGE PROCEEDS)	

ORDER

On April 30, 2020, Cannonsburg Water District (Cannonsburg District) filed an electronic application (Application), pursuant to KRS 278.020 and KRS 278.300, for the issuance of a Certificate of Public Convenience and Necessity (CPCN) to install a zone metering system and other system improvements, for authorization to enter into an Assistance Agreement with the Kentucky Infrastructure Authority (KIA) to borrow an amount not to exceed \$622,000 to finance the installation of the proposed zone metering system and other system improvements, and for authorization to disburse proceeds from surcharges assessed pursuant to Commission Orders in Case No. 2011-00217¹ and Case No. 2018-00376.² Cannonsburg District responded to one round of discovery. No

¹ Case No. 2011-00217, *Application of Cannonsburg Water District for (1) Approval of Emergency Rate Relief and (2) Approval of the Increase in Nonrecurring Charges*, (Ky. PSC June, 4, 2012).

² Case No. 2018-00376, *Application of Cannonsburg Water District for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076*, (Ky. PSC May 13, 2019).

party has sought intervention in this matter. Cannonsburg District has not requested a hearing. The record in this case is complete, and the matter stands ready for a decision.

BACKGROUND

Cannonsburg District, a water district organized under KRS Chapter 74, provides retail water service to approximately 3,523 residential, commercial and industrial customers and wholesale water service to two wholesale customers³ in Boyd and Greenup counties, Kentucky. Cannonsburg District has struggled with excessive levels of unaccounted-for water loss for a number of years. In response to Cannonsburg District's application for approval of emergency rate relief in Case No. 2011-00217, the Commission authorized a monthly surcharge of \$5.53 per customer for 36 months or until the total amount of surcharge assessed equaled \$700,875 (First Water Loss Surcharge), and ordered Cannonsburg District to file a comprehensive unaccounted-for water loss reduction plan with the Commission.

In Case No. 2014-00267, the Commission approved Cannonsburg District's water loss detection plan consisting of 10 master meters and 14 bypass meters.⁴ By Order dated May 13, 2019, the Commission authorized Cannonsburg District to assess a monthly \$4.00 surcharge per customer for 48 months or until the total amount of the surcharge assessed equals \$680,000 (Second Water Loss Surcharge).⁵ In its Application, Cannonsburg District recites several of the problems it has experienced in

³ *Annual Report of Cannonsburg Water District for the Year ended December 31, 2018*, at 49 and 12.

⁴ Case No. 2014-00267, *Cannonsburg Water District's Unaccounted-for Water Loss Reduction Plan, Surcharge and Monitoring*, (Ky. PSC Aug. 7, 2014).

⁵ *Id.*, and Case No. 2018-00376, *Application of Cannonsburg Water District for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076*. (Ky. PSC May 13, 2019).

establishing a zone system, including receiving defective master meters and suffering equipment failure with the replacements supplied by the manufacturer.⁶ Cannonsburg District now proposes a series of improvements to its system to enhance its ability to locate and repair leaks within its distribution system as well as replacing water service lines known to be defective.⁷ Phase I involves the redesign and expansion of Cannonsburg District's zone metering system, and Phase II involves the replacement of polybutylene (BlueMax) service lines, which Cannonsburg District maintains are particularly susceptible to pinhole leaks and cracking due to the natural chlorine content of finished water and the manufacturing process used to produce the piping.⁸ Cannonsburg District seeks a CPCN for Phase I of the system of improvements.

PROPOSED PHASE I, REDESIGN AND EXPANSION OF ZONE METERING

For the Phase I Project, Cannonsburg District will purchase and install 49 large-sized Sensus Omni meters: 10 six-inch meters, 28 four-inch meters, and 11 three-inch meters.⁹ These meters will be used to replace the 24 existing zone meters, to create 3 additional metering zones, to increase the number of subzones and a meter will be installed at each purchasing point to accurately gauge the volume of water purchased from Cannonsburg District's wholesale suppliers.¹⁰ Phase I also includes the purchase of 200 additional iPerl 5/8- x 3/4-inch meters to replace the remaining mechanical meters

⁶ Application at 5.

⁷ *Id.* at 8.

⁸ *Id.* at 9.

⁹ *Id.*

¹⁰ *Id.*

used to register customer usage and to purchase 600 transceiver sets (MXUs for customer meters to transmit the radio signal from the meter to Cannonsburg District's communications infrastructure).¹¹ The final portion of the Phase I project is the development of a hydraulic model to improve the quality of water service and reduce Cannonsburg District's operating costs.¹²

Cannonsburg District has estimated that the cost of its Phase I Project will be \$819,103.¹³ To fund Phase I, Cannonsburg District is requesting the Commission grant it authorization to enter into an Assistance Agreement with the KIA to obtain a \$622,000 loan.¹⁴ The proposed KIA loan will bear interest at a rate of 2.00 percent per annum and will be payable over a period not to exceed four years from the date of last draw of the loan proceeds. Cannonsburg District is requesting the Commission to allow it to use the proceeds from the First Water Loss Surcharge to fund the remaining \$197,103 cost of its Phase I Project.¹⁵

As previously mentioned, the Commission authorized Cannonsburg District to assess a Second Water Loss Surcharge of \$4.00 per month to fund its continuing unaccounted-for water loss reduction efforts. Cannonsburg District requests the Commission to authorize it to use the proceeds from the Second Water Loss Surcharge to pay the semi-annual debt service payments of its proposed KIA loan.¹⁶ Such

¹¹ *Id.* at 10.

¹² *Id.*

¹³ *Id.* at 13.

¹⁴ *Id.* at 15.

¹⁵ *Id.* at 18.

¹⁶ *Id.* at 19–20.

authorization will eliminate the need for Cannonsburg District to obtain separate Commission approval to use the proceeds of the Second Water Loss Surcharge funds to pay each scheduled KIA principal and interest payment when due.¹⁷

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

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

2. The proposed construction does not conflict with any existing certificates or service of any other utility operating in the area.

3. Public convenience and necessity require the proposed construction, which will allow Cannonsburg District to continue providing reliable and adequate water service to its customers.

4. Kentucky Department of Water approval is not required for the proposed construction.

5. Cannonsburg District has filed 12 applications for encroachment permits with the Kentucky Department of Highways in association with the proposed construction.

6. The proposed loan with KIA is necessary, is appropriate for and consistent with the proper performance of Cannonsburg District's service to the public and will not impair Cannonsburg District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

7. The project will be funded by a KIA loan of \$622,000, a disbursement of \$197,103 of First Water Loss Surcharge proceeds, and a disbursement of Second Water

¹⁷ *Id.* at 20.

Loss Surcharge proceeds in the amount necessary to make the semi-annual debt service payments under the Assistance Agreement.

IT IS HEREBY ORDERED that:

1. Cannonsburg District is granted a CPCN for the proposed project as set forth in the Application.

2. Cannonsburg District's proposed financing plan is approved.

3. Cannonsburg District shall obtain approval from the Commission prior to performing any additional construction not expressly approved by this Order.

4. Cannonsburg District shall file the final decisions on the pending encroachment permits from the Kentucky Department of Highways within ten days of receiving the decision.

5. Cannonsburg District shall file with the Commission documentation of the total costs of this project, including the cost of construction and other capitalized costs (e.g., engineering, legal, administrative, etc.) 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.

6. Cannonsburg District shall file a certified statement that the construction has been satisfactorily completed in accordance with the Commission's grant of a CPCN for this project when 50 percent of the metering system is installed. Each certified statement shall be filed within 60 days of satisfying the reporting threshold.

7. Cannonsburg District shall notify the Commission in writing that construction has begun within one week of the start of construction, and at the 50 percent completion point.

8. Any documents filed in the future pursuant to ordering paragraphs 4, 5, 6, and 7 shall reference this case number and shall be retained in the post-case correspondence.

9. Cannonsburg District is authorized to enter into the proposed Assistance Agreement with KIA and, under the terms of the Assistance Agreement, to borrow an amount not to exceed \$622,000 to be repaid over a period not to exceed four years from the date of the last draw of loan proceeds at the rate of 2.00 percent per annum, and having a 0.2 percent annual administration fee on the unpaid principal balance.

10. The proceeds of the promissory note shall be used only for the purposes specified in Cannonsburg District's Application.

11. Cannonsburg District is authorized to disburse \$197,103 of First Water Loss Surcharge proceeds to pay Phase I project costs exceeding the amount of the KIA loan.

12. Cannonsburg District is authorized to disperse to KIA or KIA's designated agent the amount of Second Water Loss Surcharge proceeds necessary to make the semi-annual debt service payments under the Assistance Agreement.

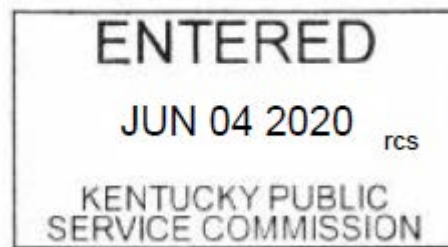
13. Cannonsburg District shall continue to comply with Orders filed in Case No. 2011-00217 and Case No. 2014-00267, requiring it to file the three monthly reports for: the billing activity and requests for disbursements from the surcharge account(s), the activity report on operations to reduce water loss, and the water loss report.

14. The Executive Director is authorized to grant reasonable extensions of time for the filing of any documents required by this Order upon Cannonsburg District's showing of good cause for such extension.

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

By the Commission



ATTEST:



Executive Director

*Honorable Damon R Talley
Attorney at Law
Stoll Keenon Ogden PLLC
P.O. Box 150
Hodgenville, KENTUCKY 42748

*Gerald E Wuetcher
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*Katelyn L. Brown
Attorney
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*Cannonsburg Water District
1606 Cannonsburg Road
Ashland, KY 41102

*Tim Webb
Cannonsburg Water District
1606 Cannonsburg Road
Ashland, KY 41105