

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BRONSTON)	
WATER ASSOCIATION, INC. FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY TO CONSTRUCT A SYSTEM)	2024-00076
IMPROVEMENTS PROJECT AND AN ORDER)	
AUTHORIZING THE ISSUANCE OF SECURITIES)	
PURSUANT TO KRS 278.300)	

ORDER

On April 10, 2024 Bronston Water Association, Inc (Bronston Water) filed¹ an application, pursuant to KRS 278.023, requesting Commission approval of a Certificate of Public Convenience and Necessity (CPCN) and associated financing for the replacement of aged and deteriorating or undersized water lines and the installation of approximately 1,180 radio read meters.² Bronston Water stated it would fund the project using loans from Kentucky Infrastructure Authority (KIA).³ No party requested intervention in this proceeding. Bronston Water responded to two information requests.⁴ This matter stands submitted for decision by the Commission.

¹ Bronston Water tendered an application on March 28, 2024, that was rejected for filing due to certain deficiencies. On April 10, 2024, Bronston Water filed documents that cured the filing deficiencies, and the application was deemed filed as of April 10, 2024.

² Application at 5, Exhibit B.

³ Application at 3.

⁴ Bronston Water's Response to Commission Staff's First Request for Information (Staff's First Request) (filed May 13, 2024); Bronston Water's Response to Commission Staff's Second Request (Staff's Second Request) (filed June 4, 2024).

BACKGROUND

Bronston Water is a water association organized under KRS Chapter 273⁵ and provides water service to approximately 1,887 customers.⁶ As of December 31, 2022, Bronston Water's plant in service was \$10,673,718 and its accumulated depreciation was \$4,160,365.⁷

Replacement of Water Lines

Bronston Water requested a CPCN to replace approximately 12,000 LF of 4-inch water line with 6-inch PVC; extend 850 LF of 8-inch water line; and replace 33,050 LF of 3-inch PVC in Pulaski and Wayne counties.⁸ Bronston Water stated that existing water lines were installed in late 1970's to early 1980's, thus are leaking, aged, deteriorating, or undersized and in need of replacement.⁹ Bronston Water also stated the proposed project will reduce time that Bronston Water spends flushing water lines after any line repairs or breaks that require Bronston Water to issue a "boil water advisory."¹⁰ Further, Bronston Water stated the proper diameter of PVC pipe for each section of the project was determined by a project engineer, at Monarch Engineering, Inc. This determination was made by the engineer after performing a hydraulic analysis and considering the

⁵ Application at 1.

⁶ *Annual Report of Bronston Water Association, Inc to the Public Service Commission for the year ending December 31, 2022* (2022 Annual Report) at 49.

⁷ 2022 Annual Report at 24-25.

⁸ Application at 13.

⁹ Bronston Water's Response to Staff's First Request, Item 1(a-e).

¹⁰ Bronston Water's Response to Staff's First Request, Item 2(a) and 2(b).

projected demand, the terrain, the anticipated area growth, potential future development and the need to maintain good water quality.¹¹

Bronston Water solicited bids for the replacement and installation of the water lines through publication in the local newspaper.¹² Bronston Water stated three contractors tendered bids and upon reviewing the submitted bids the project engineer determined that Flo-Line Contracting, LLC was the lowest bidder and qualified to perform the work based on previous project experience and recommendations from other utilities.¹³ The project engineer further recommended accepting the lowest bid of \$3,368,420 for the water line project, which Bronston Water intends to accept.¹⁴ Bronston Water stated the PVC line is expected to perform virtually leak free for the duration of its 60-year plus life cycle, therefore the anticipated annual number of repairs will be reduced to approximately one major and two minor repairs annually.¹⁵ Bronston Water anticipates operation and maintenance cost to be approximately \$9,454 per year with an annual cost savings of roughly \$56,000 as compared to the existing line.¹⁶ Bronston Water anticipates the replacement of water lines will reduce the system's water loss by approximately 1.14 percent.¹⁷

¹¹ Bronston Water's Response to Staff's First Request, Item 1(b).

¹² Bronston Water's Response to Staff's First Request, Item 15

¹³ Bronston Water's Response to Staff's First Request, Item 8.

¹⁴ Bronston Water's Response to Staff's First Request, Item 9, Exhibit 9.

¹⁵ Bronston Water's Response to Staff's Second Request, Item 4(a).

¹⁶ Bronston Water's Response to Staff's Second Request, Item 4(a).

¹⁷ Bronston Water's Response to Staff's First Request, Item 11.

Meter Equipment

Bronston Water requested a CPCN for the purchase and installation of approximately 1,180 radio read meters to replace existing meters¹⁸ that were installed between 2008 to 2012.¹⁹ Additionally, Bronston Water stated replacement meters are compatible with the current DIALOG 3G AMR system used by the Association,²⁰ therefore no alternative meters were considered.²¹ Bronston Water stated the 10-year warranty on the existing meters had expired²² and, although some of the meters are within their useful lives, the meters are showing signs of wear and loss of accuracy.²³

Bronston Water stated that each new meter purchased is approximately \$285 and replacement of an existing meter with a new meter is considered a routine maintenance item since the meters will be installed by Bronston Water employees.²⁴ Therefore, Bronston Water stated that the purchase and the installation of the new meters was not included in the Bid Tabulations and Bronston Water is intending on purchasing as many new meters as contingency funds allow.²⁵ Additionally, Bronston Water stated the new meter purchase and installation is not included in the final budget due to the unknown

¹⁸ Application at 13.

¹⁹ Bronston Water's Response to Staff's Second Request, Item 3(b).

²⁰ Bronston Water's Response to Staff's First Request, Item 13.

²¹ Bronston Water's Response to Staff's First Request, Item 3(e).

²² Bronston Water's Response to Staff's Second Request, Item 2(a).

²³ Bronston Water's Response to Staff's Second Request, Item 2(b).

²⁴ Bronston Water's Response to Staff's Second Request, Item 2(f).

²⁵ Bronston Water's Response to Staff's Second Request, Item 2(g).

amount of remaining funds at the end of the base bid and alternate portion of the project.²⁶ Bronston Water stated that should there be remaining contingency funds upon completion of the base bid and alternate portion of the project, the Association will purchase meters with the remaining funds.²⁷

Bronston Water stated that the new meters will not impact the operation and maintenance cost since each existing meters will be replaced with the same meter as currently in use and the useful life of the Master Meter, Inc. Positive Displacement Meter is 15 to 20 years.²⁸

Financing

Bronston Water stated the total capital cost of all projects is \$3,368,420.²⁹ The construction cost for the projects is \$2,798,340.³⁰ The non-construction costs for all projects is \$570,080 and includes engineering fees, legal and administrative expenses, and contingency fees.³¹ Bronston Water stated the potential loan is being issued pursuant to a KIA loan for \$2,743,000 and a potential KIA loan increase of \$625,420.³²

LEGAL STANDARD

The Commission's standard of review regarding a CPCN is well settled. No utility may construct or acquire any facility to be used in providing utility service to the public

²⁶ Bronston Water's Response to Staff's Second Request, Item 2(g).

²⁷ Bronston Water's Response to Staff's Second Request, Item 2(g).

²⁸ Bronston Water's Response to Staff's Second Request, Item 2(b).

²⁹ Application at 13.

³⁰ Application at 68.

³¹ Application at 68.

³² Application at 13.

until it has obtained a CPCN from the Commission.³³ To obtain a CPCN, the utility must demonstrate a need for such facilities and an absence of wasteful duplication.³⁴

“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.³⁵

“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.”³⁶ 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.³⁷ Although cost is a factor, selection of a proposal that ultimately costs more than an

³³ KRS 278.020(1). Although the statute exempts certain types of projects from the requirement to obtain a CPCN, the exemptions are not applicable.

³⁴ *Kentucky Utilities Co. v. Public Service Com’n*, 252 S.W.2d 885,890 (Ky. App. 1952)

³⁵ *Kentucky Utilities Co.*, 252 S.W.2d at 890.

³⁶ *Kentucky Utilities Co.*, 252 S.W.2d 885, 890

³⁷ 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), Order at 11.

alternative does not necessarily result in wasteful duplication.³⁸ All relevant factors must be balanced.³⁹ KRS 278.300 requires Commission authorization before a utility may “issue any securities or evidence of indebtedness or assume any obligation or liability in respect to the securities or evidence of indebtedness of any other person.⁴⁰ KRS 278.300 only applies to notes that have a term of more than two years.⁴¹

KRS 278.300(3) establishes the legal standard and clarifies the scope of Commission review, stating:

The commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

DISCUSSION AND FINDINGS

Having considered the application and all evidence in the record, the Commission finds that the CPCN should be granted. As noted above, the water lines that Bronston Water is seeking to replace were installed in the late 1970’s to early 1980’s are in poor condition or undersized and in need of replacement. Therefore, Bronston Water has

³⁸ 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), Order at 6.

³⁹ Case No. 2005-00089, Aug. 19, 2005 Order at 6.

⁴⁰ KRS 278.300(1).

⁴¹ KRS 278.300(8).

demonstrated a need for the replacement of the deteriorated and aged water lines. Additionally, the Commission finds that Bronston Water has demonstrated a need to replace its water meters based on the age and condition of the current meters, as the meters to be replaced were installed between 2008 to 2012.

Bronston Water also established that the projects will not result in wasteful duplication. With respect to the proposed water line replacement project, the Commission finds that Bronston Water provided evidence of improperly sized and aging water line infrastructure demonstrating a need for replacement and a lack of wasteful duplication. Therefore, the Commission finds the CPCN should be granted.

Regarding the proposed water meter replacement project, Bronston Water submitted evidence that the water meters at issue are either at, or quickly approaching, the end of their useful life. The proposed Master Meters are compatible with the Dialog 3G AMR System used by Bronston Water and will not require additional equipment, computers or software. Therefore, the Commission finds that Bronston Water's proposed meter replacement project will not result in wasteful duplication, and therefore finds that the CPCN for this project should be granted.

The Commission finds that the requested financing is necessary for the completion of the projects discussed above and will not impair Bronston Water's ability to provide service. In fact, as noted above, the Commission finds that the projects at issue are necessary and will not result in wasteful duplication. Further, the Commission finds that the financing for which Bronston Water requests approval is for a lawful object within the corporate purposes of Bronston Water's utility operations. Further, the project and associated financing are necessary, appropriate for, and consistent with the proper

performance of Bronston Water's service to the public. The financing will not impair Bronston Water's ability to perform that service, and is reasonably necessary and appropriate for such purposes, and, therefore, the Commission finds that approval of the financing should be granted.

IT IS THEREFORE ORDERED that:

1. Bronston Water is granted a CPCN to purchase and install water lines and to purchase approximately 1,180 radio read meters, as proposed in its application.

2. Bronston Water shall immediately notify the Commission upon knowledge of any material changes to the projects, including but not limited to increase in cost and any significant delays.

3. Any material deviation from the construction approved by this Order shall be undertaken only with prior approval of the Commission.

4. Bronston Water shall file with the Commission documentation of total costs of the projects, including the cost of construction and all other capitalized costs (e.g., engineering, legal, administrative, etc.) within 60 days of the date that the construction authorization under this CPCN 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.

5. Bronston Water shall file a certified statement that the construction has been satisfactorily completed in accordance with the construction plans and specifications within in 60 days of the substantial completion of the construction discussed herein.

6. Bronston Water is authorized to issue the evidence of debt requested subject to the conditions discussed herein.

7. The proceeds from the issue of evidence of debt authorized shall be used only for the lawful purposes set out in the application.

8. Bronston Water shall only execute the loan documents with KIA to the extent their terms and conditions are consistent with the loan described in its application, except as otherwise authorized herein.

9. Bronston Water shall file a copy of the loan documents executed with KIA in this matter within ten days of executing them.

10. Any documents filed in the future pursuant to ordering paragraphs 4, 5, and 9 shall reference this case number and shall be retained in the post case correspondence file.

11. The Executive Director is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon Bronston Water's showing of good cause for the extension.

12. Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

13. The case is closed and removed from the Commissions docket.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner



ENTERED
JUL 09 2024
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KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


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