

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WESTERN)	
PULASKI COUNTY WATER DISTRICT FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY TO CONSTRUCT A WATER)	2025-00179
SYSTEM IMPROVEMENTS PROJECT AND AN)	
ORDER AUTHORIZING THE ISSUANCE OF)	
SECURITIES PURSUANT TO KRS 278.300)	

ORDER

On June 11, 2025, Western Pulaski County Water District (Western Pulaski District) filed an application requesting a Certificate of Public Convenience and Necessity (CPCN) pursuant to KRS 278.020 and approval of the associated financing pursuant to KRS 278.300 for the replacement of undersized water lines.¹ Western Pulaski District stated that it would fund the \$4,000,000 million cost of the project using a 20 year Kentucky Infrastructure Authority (KIA) loan for the same amount.² No party requested intervention in the proceeding. Western Pulaski District responded to one request for information.³ The matter stands submitted for a decision by the Commission.

¹ Application (filed June 11, 2025).

² Application, Exhibit B at 2.

³ Western Pulaski District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed July 7, 2025).

BACKGROUND

Western Pulaski District is a water district organized under KRS Chapter 74⁴ that provides retail water service to approximately 9,685 residential and 63 commercial customers⁵ in Pulaski, Russell, and Wayne counties, Kentucky.⁶ Western Pulaski District purchases its water from the city of Somerset.⁷ As of December 31, 2024, Western Pulaski District's Utility Plant in Service was \$36,661,018 and its accumulated depreciation was \$11,320,892.⁸ Western Pulaski District stated that the proposed project is the continuation of an ongoing larger project to extend a new 12-inch water transmission main from a recently installed 1,200 gallons per minute (GPM) water pump station at Lees Ford.⁹

WATER LOSS

Pursuant to 807 KAR 5:066, Section 6(3), water loss is limited to 15 percent for ratemaking purposes. Western Pulaski District reported water loss of 28.8850 percent in its 2024 annual report.¹⁰ At 28.8850 percent water loss, the total cost of water loss to Western Pulaski District is \$508,290, and the cost of water loss above 15 percent is \$244,334, as shown in the following table.

⁴ Application at 1.

⁵ Application, Exhibit F, Attachment B at 2.

⁶ 2024 Annual Report at 12.

⁷ Application, Exhibit B at 2.

⁸ Application, Attachment WPCWD_2024_PSC_Annual_Report.pdf, 2024 Annual Report at 24-25.

⁹ Application, Exhibit 2 at 1.

¹⁰ Application, Attachment WPCWD_2024_PSC_Annual_Report.pdf, 2024 Annual Report at 57.

Description	Purchased Water	Purchased Power	Total
Pro Forma Expenses	\$1,654,593	\$ 105,108	\$1,759,701
Water Loss Percent	28.8850%	28.8850%	28.8850%
Total Water Loss	<u>\$ 477,929</u>	<u>\$ 30,360</u>	<u>\$ 508,290</u>

Description	Purchased Water	Purchased Power	Total
Pro Forma Expenses	\$1,654,593	\$ 105,108	\$1,759,701
Water Loss in Excess of 15%	13.8850%	13.8850%	13.8850%
Disallowed Water Loss	<u>\$ 229,740</u>	<u>\$ 14,594</u>	<u>\$ 244,334</u>

The Commission encourages Western Pulaski District to continue to take steps to monitor and reduce its water loss and notes that the district's water loss has decreased from 32.7623 percent water loss in 2023.¹¹

PROPOSED PROJECT

Western Pulaski District requested a CPCN to replace approximately 18,250 LF of existing 6-inch water line along Kentucky highway 80 and a portion along Kentucky highway 196 with new 12-inch ductile water main (Phase 2 Project).¹² Western Pulaski District stated that the new 12-inch water main would be installed parallel with an existing 8-inch water line and the existing 6-inch water line that is to be abandoned.¹³

Western Pulaski District stated the current 6-inch lines are undersized and unable to carry a flow of 1,200 GPM, which the new Lees Ford Pump Station is rated.¹⁴ Additionally, Western Pulaski District stated that the current 6-inch lines are unable to

¹¹ *Annual Report of Western Pulaski District to the Public Service Commission for the Year Ending December 31, 2023* (2023 Annual Report) at 57.

¹² Application, Exhibit B at 1.

¹³ Application, Exhibit B at 1.

¹⁴ Application, Exhibit F, Attachment B.

support the demand that has substantially increased over the past 5 years due to increased development in the area.¹⁵ Western Pulaski District stated that if the 6-inch lines are not replaced, a large portion of the system will experience a severely inadequate flow with extremely low pressures, presenting a potential health risk to area residents.¹⁶

Western Pulaski District retained Monarch Engineering, Inc. to draft plans and specifications for the Phase 2 Project, and it solicited bids for the Phase 2 Project.¹⁷ The project engineer stated that five contactors tendered bids,¹⁸ and upon reviewing the submitted bids, the engineer determined that Weddle Enterprises, Inc. (Weddle Enterprises), was lowest bidder and qualified to perform the work based on previous project experience with the contractor and recommendations from other utilities.¹⁹ Western Pulaski District accepted Weddle Enterprises' bid of \$2,740,711 for the construction of the Phase 2 Project.²⁰ Western Pulaski District stated the non-construction costs for the Phase 2 Project are \$688,071 and includes engineering fees, legal and administrative expenses and contingency fees.²¹

Western Pulaski District explained that the initial Phase 2 Project consisted of approximately 42,000 LF of 12-inch ductile iron pipe and appurtenances.²² However, due

¹⁵ Application, Exhibit B at 1.

¹⁶ Application, Exhibit B at 1.

¹⁷ Application, Exhibit C at 1.

¹⁸ Application, Exhibit C at 1.

¹⁹ Application, Exhibit C at 1.

²⁰ Application, Exhibit C at 1.

²¹ Application Exhibit O at 1.

²² Western Pulaski District's Response to Commission Staff's First Request for Information (Staff's First Request), Item 4.

to limited Fund B Loan funds for this fiscal year, Western Pulaski District was advised by KIA to apply for a maximum of \$4,000,000 this fiscal year, then apply for funds for a Phase 3 Project in the next fiscal year.²³ Western Pulaski District stated it is currently in the process of completing a notice of intent to file for a Fund B Loan in the amount of \$3,837,000 for a Phase 3 Project.²⁴ Western Pulaski District explained that should it decide not to construct the Phase 3 Project, or not receive Commission approval for the Phase 3 Project, it would not impact its ability to apply for KIA funding in the future.²⁵ As such, the amount of allocated project funds exceeds the associated costs for the Phase 2 Project by the amount of \$571,218, and the project engineer recommended the remaining funds be used to complete the Phase 3 Project, contingent on approval from KIA and the Public Service Commission.²⁶

Western Pulaski District explained that, in the alternative, it considered constructing a new, larger tank in a location in the vicinity of an existing tank and construct a new 8-inch water transmission main to replace the existing 6-inch water line and run parallel with an existing 8-inch water main.²⁷ However, Western Pulaski District stated that the alternative project, which was anticipated to cost \$6,105,000,²⁸ exceeded the amount of KIA funding available. Moreover, if an alternative was chosen, the existing 6-

²³ Western Pulaski District's Response to Staff's First Request, Item 4.

²⁴ Western Pulaski District's Response to Staff's First Request, Item 4

²⁵ Western Pulaski District's Response to Staff's First Request, Item 5.

²⁶ Application, Exhibit D.

²⁷ Application, Exhibit B at 1.

²⁸ Application, Exhibit B at 1.

inch water line would still need to be replaced because it is insufficient to support the flow necessary to support the Lees Ford Pump Station.²⁹

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 until it has obtained a CPCN from the Commission.³⁰ To obtain a CPCN, the utility must demonstrate a need for such facilities and an absence of wasteful duplication.³¹

"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.³²

"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."³³ To demonstrate that a proposed facility does not result in wasteful duplication, the Commission has held that the applicant must

²⁹ Application, Exhibit B at 1.

³⁰ KRS 278.020(1). Although the statute exempts certain types of projects from the requirement to obtain a CPCN, the exemptions are not applicable.

³¹ *Kentucky Utilities Co. v. Public Service Com'n*, 252 S.W.2d 885,890 (Ky. App. 1952).

³² *Kentucky Utilities Co.*, 252 S.W.2d at 890.

³³ *Kentucky Utilities Co.*, 252 S.W.2d 885, 890.

demonstrate that a thorough review of all reasonable alternatives has been performed.³⁴ Although cost is a factor, selection of a proposal that ultimately costs more than an alternative does not necessarily result in wasteful duplication.³⁵ All relevant factors must be balanced.³⁶

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.”³⁷ KRS 278.300 only applies to notes that have a term of more than two years.³⁸ 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.

³⁴ 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.

³⁵ 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.

³⁶ Case No. 2005-00089, Aug. 19, 2005 Order at 6.

³⁷ KRS 278.300(1).

³⁸ KRS 278.300(8).

DISCUSSION AND FINDINGS

Having considered the application and all evidence in the record, the Commission finds that the CPCN should be granted. The replacement of the undersized 6-inch water lines with 12-inch water main will allow Lees Ford Pump Station, which was granted a CPCN in Case No. 2022-00203,³⁹ to operate at its full rating of 1,200 gallons per minute⁴⁰ and provide adequate water flow for current customers and support anticipated population growth.⁴¹ Therefore, the Commission finds that Western Pulaski District has demonstrated a need for the replacement of the identified undersized water lines to support current and future capacity demands.

Western Pulaski District also provided sufficient evidence that the Phase 2 Project will not result in wasteful duplication. The District evaluated the construction of a new larger tank in a location in the vicinity of an existing tank and construct a new 8-inch water transmission main to replace the existing 6-inch water line and run parallel with an existing 8-inch water main.⁴² However, the District presented evidence that the tank alone would cost as much as the proposed water line replacement project and the existing 6-inch water line will not support the flow required to meet the demand.⁴³

Further, Western Pulaski District retained the services of Monarch Engineering, Inc. to assist in developing the project, which solicited competitive bids for the water line

³⁹ Case No. 2022-00203 *Electronic Application of Wester Pulaski Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to KRS 278.023* (filed Aug. 5, 2022) Order.

⁴⁰ Application, Exhibit F, Attachment B.

⁴¹ Application, Exhibit B at 1.

⁴² Application, Exhibit B.

⁴³ Application, Exhibit B.

replacement project and received five bids.⁴⁴ Of the five bids that were submitted, Western Pulaski District selected Weddle Enterprises bid in the amount of \$2,740,711 for the Phase 2 Project.⁴⁵ In addition to being the lowest bid, Weddle Enterprises was selected based on previous experience with the contractor and the recommendation of other utilities.⁴⁶

Considering that the proposed alternative would cost more than the proposed Phase 2 Project and its system still would not be able to meet the current or future water capacity demands of the District, and coupled with a competitive construction bid process, the record does not indicate that Western Pulaski District's proposed plan would result in excessive investment in relation to productivity or efficiency, or unnecessary water system improvements. Therefore, the Commission finds that Western Pulaski District's request for a CPCN for the Phase 2 Project for the replacement of undersized water lines will not result in wasteful duplication and should be granted.

Additionally, the Commission finds that the proposed KIA loan is for lawful objects within the corporate purposes of Western Pulaski District; is necessary, appropriate for and consistent with the proper performance of Western Pulaski District's service to the public. The Commission further finds that the KIA loan will not impair Western Pulaski District's ability to perform that service; is reasonable, necessary, and appropriate for such purposes.

⁴⁴ Application, Exhibit C.

⁴⁵ Application, Exhibit D.

⁴⁶ Application, Exhibit C at 1.

Western Pulaski District's lawful purpose is to provide safe, adequate, and reliable service to the public. The financing will enable Western Pulaski District to construct the proposed project, which, as discussed above, is necessary to provide water service to the public consistent with Western Pulaski District's lawful purpose. Therefore, the Commission finds that approval of the financing should be granted.

IT IS THEREFORE ORDERED that:

1. Western Pulaski District is granted a CPCN to replace water lines as proposed in the application.
2. Western Pulaski District 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. Western Pulaski District 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.) and a certified statement that the construction has been satisfactorily completed in accordance with the construction plans and specifications 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. Western Pulaski District shall notify the Commission in writing one week prior to the actual start of construction, and again once the construction authorized under this CPCN is 50 percent completed.

6. Western Pulaski District shall file a copy of the loan documents executed with KIA in this matter within ten days of executing them.

7. Western Pulaski District is authorized to issue the evidence of debt requested subject to the conditions discussed herein.

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

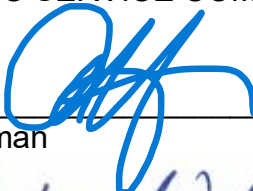
9. Western Pulaski District shall only execute the loan documents with KIA to the extent their terms and conditions are consistent with the loan described in its application, except as otherwise authorized herein.

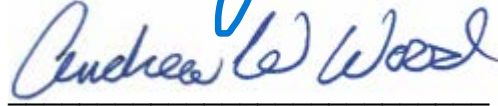
10. Any documents filed in the future pursuant to ordering paragraphs 4, 5, and 6 shall reference this case number and shall be retained in the post-case correspondence file.

11. The Executive Director of the Public Service Commission is delegated authority to grant reasonable extensions of time for filing any documents required by this Order upon Western Pulaski District's showing of good cause for the extension.

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

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


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