

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF WARREN)	
COUNTY DISTRICT FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	CASE NO.
CONSTRUCT THE ALVATON AREA CAPACITY)	2025-00351
IMPROVEMENT PROJECT PURSUANT TO THE)	
PROVISIONS OF KRS 278.020 AND 807 KAR)	
5:001)	

ORDER

On November 10, 2025, Warren County Water District (Warren District) filed an application, pursuant to KRS 278.020 and 807 KAR 5:001, requesting the Commission to issue a certificate of public convenience and necessity (CPCN) granting authority to construct the Alvaton Area Capacity Improvement Project (Project). There are no intervenors in this matter. Warren District responded to one request for information December 5, 2025.¹ Warren District filed a motion to submit for decision on the written record on December 16, 2025.² This matter stands submitted for decision by the Commission.

LEGAL STANDARD

The Commission's standard of review of a request for a CPCN is well settled. Pursuant to KRS 278.020(1), 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 this Commission.

¹ Warren District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Dec. 5, 2025).

² Warren District's Motion to Submit for Decision on the Written Record (filed Dec. 16, 2025).

To obtain a CPCN, the utility must demonstrate a need for such facilities and an absence of wasteful duplication.³

“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.⁴

“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.”⁵ 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.⁶ The selection of a proposal that ultimately costs more than an alternative does not

³ *Kentucky Utilities Co. v. Pub. Serv. Comm’n*, 252 S.W.2d 885 (Ky. 1952).

⁴ *Kentucky Utilities Co.* at 890.

⁵ *Kentucky Utilities Co.* at 890.

⁶ Case No. 2005-00142, *Joint Application of Louisville Gas and Electric Company and Kentucky Utilities Company for the Construction of Transmission Facilities in Jefferson, Bullitt, Meade, and Hardin Counties, Kentucky* (Ky. PSC Sept. 8, 2005).

necessarily result in wasteful duplication.⁷ All relevant factors must be balanced.⁸ In *Kentucky Utilities Co. v. Public Service Commission*, 252 S.W.2d 885, 890 (Ky. 1952), the Court noted that “a determination of public convenience and necessity requires both a finding of the need for a new service system or facility from the standpoint of service requirements, and an absence of wasteful duplication resulting from the construction of the new system or facility.”

Pursuant to KRS 278.020(1)(e), unless a CPCN is exercised within one year from the date the CPCN is granted by order, the authority conferred by the issuance of a CPCN, is void. Additionally, KRS 278.020(1)(e) further provides that the beginning of any new construction in good faith within the time prescribed by the Commission and the “prosecution” of the construction with “reasonable diligence” constitutes an exercise of authority under the CPCN.

PROJECT DESCRIPTION

Warren District is a water district created under the provisions of KRS Chapter 74 by the Warren County Fiscal Court.⁹ As of December 31, 2024, Warren District provided retail water service to approximately 32,056 residential, 2,543 commercial, and 67 industrial customers in Warren County, Kentucky.¹⁰ Warren District is engaged in the

⁷ See *Kentucky Utilities Co. v. Pub. Sew. 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)

⁸ Case No. 2005-00089, August 19, 2005 Order at 6.

⁹ Application at 3.

¹⁰ Application at 3 citing Annual Report of Warren County Water District, Water Division, to the Kentucky Public Service Commission for the Year-Ended December 31, 2025 (2024 Annual Report) at 12 and 49.

distribution and sale of water. Warren District does not produce its own water but rather purchases water from the city of Bowling Green.¹¹ Warren District owns and operates 26 pumping stations, 29 water storage tanks, and approximately 1,219 miles of water mains.¹²

Warren District is proposing to construct approximately 16,900 linear feet of 16-inch diameter ductile iron transmission main along Greathouse Road and Old Scottsville Road along with all necessary appurtenances in the southeastern section of its system near the unincorporated community of Alvaton, Kentucky.¹³ Appurtenances to be installed include nine fire hydrants and reconnecting or relocating approximately 100 customer services.¹⁴ Warren District explained that its Capital Improvement Plan has included a project to address this need for additional capacity in the area due to population growth, and that in 2008, Warren District estimated that a project to increase capacity in the area would need to be built sometime between 2021 and 2030.¹⁵ Warren District further explained that the establishment of sanitary sewer service in the area in 2016 drove even more development in the area, and Warren District began to evaluate alternatives to meet the growing demand for water.¹⁶

¹¹ Application at 3-4.

¹² Application at 4.

¹³ Application at 4.

¹⁴ Application at 4.

¹⁵ Application at 4-5.

¹⁶ Application at 5.

Bids

Warren District stated that it published an advertisement for bids for the construction of the proposed project via its website, websites maintained by the Kentucky Bid Network, DODGE Construction Network, and BidPrime, as well as in the September 24, 2025 digital edition of The Bowling Green Daily News.¹⁷

Warren District stated that it received six bids to complete the proposed project, of which the bid of Smith Brothers, LLC in the amount of \$3,131,001 was selected as the lowest and best bid of a responsive and responsible bidder.¹⁸ On October 22, 2025, Warren District's Board of Commissioners awarded a contract to construct the Project to Smith Brothers contingent upon the Commission granting the District a CPCN for the Project.¹⁹

Financing

Warren District stated the total expected cost of the proposed project was \$3,224,931,²⁰ including construction costs of \$3,131,001 based on the bid provided by the Smith Brothers, LLC,²¹ and a 3 percent contingency in the amount of \$93,930, as shown in the table below.²²

¹⁷ Application at 11.

¹⁸ Application at 11.

¹⁹ Application at 11.

²⁰ Application at 8-9.

²¹ Application, at 11; Exhibit 13 at 2.

²² Application at 4.

16-inch Water Main

Alvaton Area Capacity Improvements					
As-Bid Cost to Construct					
Warren County Water District					
16-inch Transmission Line					
ITEM		EST.		UNIT	
NO.	DESCRIPTION	QTY.	UNIT	PRICE	AMOUNT
1	10" x 10" Tapping Sleeve & Valve on PVC	2	EA	\$8,800.00	\$17,600.00
2	6" x 6" Tapping Sleeve & Valve on PVC	1	EA	\$5,500.00	\$5,500.00
3	12" x 12" Tapping Sleeve & Valve on PVC	1	EA	\$9,700.00	\$9,700.00
4	16" Butterfly Valve	11	EA	\$14,000.00	\$154,000.00
5	Blow-off Assembly	1	EA	\$2,600.00	\$2,600.00
6	5 1/4" Fire Hydrant Assembly	9	EA	\$9,315.00	\$83,835.00
7	Automatic Air Release Valve	5	EA	\$3,700.00	\$18,500.00
8	Ductile Iron Fittings	8,000	LBS	\$12.00	\$96,000.00
9	Relocate Exist 5/8" x 3/4" Water Meter	1	EA	\$1,100.00	\$1,100.00
10	Reconnect Exist 5/8" x 3/4" Water Meter	15	EA	\$895.00	\$13,425.00
11	3/4" Service Line	50	LF	\$33.00	\$1,650.00
12	1" Service Line	700	LF	\$45.00	\$31,500.00
13	Customer Service Line	50	LF	\$33.00	\$1,650.00
14	24" Steel Casing by Bore w/ 16" Rest.	335	LF	\$755.00	\$252,925.00
15	24" Steel Casing by Bore w/ 16" DIP	385	LF	\$740.00	\$284,900.00
16	16" Class 250 Rest. Joint DIP Water line	1,235	LF	\$151.00	\$186,485.00
17	16" Class 250 DIP Water Line	14,984	LF	\$121.00	\$1,808,708.00
18	10" DIP Water Line	50	LF	\$77.00	\$3,850.00
19	6" DIP Water Line	50	LF	\$66.00	\$3,300.00
20	6" Gate Valve	2	EA	\$2,000.00	\$4,000.00
21	Miscellaneous Concrete	20	CY	\$370.00	\$7,400.00
22	Full Depth Crushed Stone Backfill	250	TN	\$26.00	\$6,500.00
23	Rock Check Dam	100	TN	\$40.00	\$4,000.00
24	Silt Fencing	1,000	LF	\$2.75	\$2,750.00
25	Channel Lining	50	TN	\$47.00	\$2,350.00
26	Final Cleanup	16,903	LF	\$7.50	\$126,772.50
	Item Summary				\$3,131,001.00
	Contingency 3%				\$ 93,930.00
	Total Project Cost				\$3,224,931.00

Warren District estimated that the annual cost to operate the Project will be limited to the depreciation expense of approximately \$51,599.²³ Warren District anticipated funding the project using one grant from the Cleaner Water Program (CWP) and interim financing secured through the Rural Water Financing Agency (RWFA).²⁴ Warren District secured \$2,486,720 from CWP Grant 22CWW036²⁵ and interim financing through an RWFA Series 2025D Loan in the amount of \$22,985,000, dated July 17, 2025, with a maturity date of July 15, 2027.²⁶ Of the \$22,985,000 in interim financing funds, Warren District stated it planned to use an estimated \$738,211 to fund the remaining construction costs.²⁷ Warren District stated it will submit its application for financing approval once long-term financing has been arranged.²⁸ Warren District did not propose a rate increase as part of this request.²⁹

DISCUSSION AND FINDINGS

Need

Warren District argued that the Project is necessary to provide the required capacity to serve the demand for water in the southeastern area of Warren District's system.³⁰ As a short-term measure to increase capacity, Warren District supplemented

²³ Application at 12.

²⁴ Application at 9, Footnote 7.

²⁵ Application at 9.

²⁶ Application at 9, Footnote 7.

²⁷ Application at 9.

²⁸ Application at 9; Application at 13.

²⁹ Application at 12.

³⁰ Application at 4.

water available in this area, known in Warren District's system as the "Drakes Creek Zone," by moving water into the area from another area of its system, known as the "Plano Zone."³¹ Warren District explained that demand from the Drakes Creek Zone has increased to such a level currently that the Drakes Creek Zone is dependent on water from the Plano Zone to supply the demand on a daily basis, which leads to a reduced level of service to customers in both zones and reduces fire flow capacity.³² Warren District argued that construction of the Project will eliminate the need to move water from the Plano Zone into Drakes Creek Zone; thereby increasing capacity available to feed development in the Plano Zone.³³

Warren District also explained that, in 2023, Warren County Fiscal Court amended its ordinance regarding fire protection for new development within the county to increase fire protection requirements in residential developments to 600 gallons per minute.³⁴ Warren District stated that the City-County Planning Commission of Warren County has informed Warren District that some development projects planned for the Project area have been unable to meet the new minimum fire protection requirements and those construction projects are dependent upon Warren District providing increased capacity to meet this demand.³⁵ Warren District also provided a letter from the City-County Planning Commission of Warren County that supported the need for the project.³⁶ Warren District

³¹ Application at 5.

³² Application at 5.

³³ Application at 5-6.

³⁴ Application at 6.

³⁵ Application at 6.

³⁶ Application, Exhibit 6.

explained that there have been 265 building permits issues, nine zoning changes approved, and four development plans approved in the proposed Project area in the past five years, and argued that as the water provider to all of Warren County, except the city of Bowling Green, Warren District must construct adequate infrastructure to meet its statutory requirement of providing adequate, efficient and reasonable service.³⁷

Having considered the record, and being otherwise sufficiently advised, the Commission finds that Warren District has provided sufficient evidence there is a need for the Project. Warren District has demonstrated that there is a substantial inadequacy of existing service as there is increased capacity demand in the southeastern area and new fire protection requirements. Furthermore, the project will eliminate the need to move water from the Plano Zone into Drakes Creek Zone. The evidence presented by Warren District also demonstrates that there is a consumer market sufficiently large to make it economically feasible for the new system to be constructed, with multiple new developments planned in the next five years.

Lack of Wasteful Duplication

Warren District considered three alternatives to increase water capacity in the area, including (1) the construction of a new 500,000-gallon elevated storage tank and a 10-inch water main (First Alternative); (2) installing a 12-inch water main, but no storage tank (Second Alternative); and (3) installing a 16-inch water main, but no storage tank (Proposed Project).³⁸ Warren District explained that early in the planning process, it considered increasing capacity in the area by constructing the First Alternative, the

³⁷ Application at 7.

³⁸ Application at 7.

estimated cost of which was \$5,231,915.³⁹ Warren District further explained that, because adding a water storage tank to the system was expensive and would create the potential of reduced water quality due to water age, it began exploring ways to increase capacity without adding water storage, and considered the Second Alternative which had an estimated cost to construct of \$4,149,400.⁴⁰ Warren District argued that the Second Alternative would provide water at a flow-rate to meet the fire protection requirements for residential development to a much smaller area than the Proposed Project and would still limit developments in the area.⁴¹ Warren District estimated that development potential for 179 acres would be lost by choosing to construct the Project using a 12-inch main.⁴² According to Warren District, adding 179 acres translates to over 700 additional homes that can be built by installing a 16-inch main instead of a 12-inch main.⁴³ The difference in cost is approximately \$465,526.⁴⁴

Finally, Warren District considered the proposed Project, which it stated was anticipated to be more expensive than constructing a 12-inch main; however, Warren District argued that the Proposed Project had the added advantage of providing adequate water at an adequate flow-rate to meet the new county-wise fire protection requirements imposed by Warren County Fiscal Court.⁴⁵ Warren District explained that this increase in

³⁹ Application at 7.

⁴⁰ Application at 8.

⁴¹ Application at 8.

⁴² Warren District's response to Commission Staff's First Request for Information (Staff's First Request), Item 4b.

⁴³ Warren District's response to Staff's First Request, Item 4b.

⁴⁴ Warren District's response to Staff's First Request, Item 3a.

⁴⁵ Application at 8.

the volume of water that it must provide and the flow-rate at which it must be provided was the major deciding factor in its decision to construct the Proposed Project.⁴⁶ The estimated cost of the Proposed Project, including a three percent contingency, was \$3,224,931,⁴⁷ which Warren District noted was lower than the pre-bid anticipated cost of \$4,613,725.⁴⁸

Having considered the record and being otherwise sufficiently advised, the Commission finds that the Project will not result in wasteful duplication. The Commission agrees that it does not make economic sense to move forward with the First Alternative due to the increased expense. The Commission also agrees that while the Second Alternative was estimated to be a lower cost option compared to the estimated cost of the Proposed Project, the drawbacks of constructing the 12-inch project outweigh the benefit of the lower costs. The Commission finds that constructing the Proposed Project, which is a larger line to serve more customers both now and in the immediate future, would result in the lack of wasteful duplication, as without this approval, the district would need to build more parallel capacity in the near future to meet the needs of new customers. The evidence in the record demonstrates clearly that continued development in that area is scheduled to occur

IT IS THEREFORE ORDERED that:

1. Warrant District is granted a CPCN for the proposed project as submitted.

⁴⁶ Application at 8.

⁴⁷ Application at 8-9.

⁴⁸ Application at 9, Footnote 6.

2. Warren District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

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

4. Warren District shall notify the Commission in writing one week prior to the actual start of construction.

5. Warren District 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 that the construction work 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. Warren District shall immediately notify the Commission upon knowledge of any material changes to the projects, including but not limited to an increase in cost and any significant delays.


7. Any documents filed in the future pursuant to ordering paragraphs 3, 4, and 6 of this Order shall reference this case number and shall be retained in Warren District's post-case correspondence file.

8. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Warren District's showing of good cause for such extension.

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

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PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director





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