COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1 REQUEST FOR ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY IN ACCORDANCE WITH KRS 278.020 AND APPROVAL OF FINANCING IN ACCORDANCE WITH KRS 278.300 | ) CASE NO. 96-490 |

ORDER

Pioneer Village Sewerage System Plant #1 ("Pioneer Village") filed an application on November 4, 1996 seeking a Certificate of Public Convenience and Necessity for a plant expansion to its existing sewage treatment plant facility and for approval of its plan of financing for this project, The total project cost is estimated to be $312,500. Project funding includes a $250,000 loan from the Stock Yards Bank and Trust Company ("SYB&T") and $62,500 in internal funds. The loan will be for a 15-year term at an interest rate of 9 percent per annum for the first five years, and at SYB&T's prime rate, floating daily for the remaining 10 years. On December 23, 1996, the Commission issued an Order which granted Pioneer Village a Certificate of Public Convenience and Necessity to proceed with the proposed construction project, but which continued Pioneer Village's financing plan beyond the 60-day period specified in KRS 278.300(2) in order to allow the Commission sufficient time to gather additional information.

IT IS ORDERED that Pioneer Village shall file the original and six copies of the following information with the Commission no later than 20 days from the date of this Order.

Pioneer Village shall furnish with each response the name of the witness who will be available to respond to questions concerning each item of information requested should a public hearing be necessary.

1. In its 1995 annual report filed with the Commission, Pioneer Village showed a net loss of $7,409. Based on this, how does Pioneer Village propose to meet its annual debt service requirements of $30,428 for the proposed $250,000 loan from SYB&T?

2. Explain how Pioneer Village's current revenues are sufficient to cover the additional operating expenses it expects to incur related to the proposed expansion of its sewage treatment plant.

3. According to the 1995 annual report referenced above, Pioneer Village had a balance of $143,504 in cash and working funds at year's end.

a. Has Pioneer Village's current cash position changed substantially since that time?

b. Has Pioneer Village considered using additional amounts, beyond the $62,500 already committed, of its cash on hand to reduce the size of the loan and hence the debt service requirements?

4. According to KRS 278.300(3), the Commission "shall not approve the issue of any securities or evidences of indebtedness, or the assumption of any obligation or liability in respect to the securities or evidences of indebtedness of any other person unless 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."

Given that Pioneer Village's cash on hand could be used to reduce the loan amounts, debt service requirements, and potentially the rates paid by its customers, explain how a loan in the amount of $250,000 could be considered reasonably necessary and appropriate for its intended purpose.

Done at Frankfort, Kentucky, this 21st day of January, 1997.

PUBLIC SERVICE COMMISSION

Linda K Breathitt

For the Commission

ATTEST:

Don Mills

Executive Director