

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

On November 4, 1996, Pioneer Village Sewerage System Plant #1 ("Pioneer Village") filed its application seeking a Certificate of Convenience and Necessity for a plant expansion to its existing sewage treatment facility and for approval of its plan of financing for the project. The total project cost is estimated to be \$312,500. Project funding includes a \$250,000 loan from 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. On January 21, 1997, the Commission issued a request for additional information. Pioneer Village filed its response to that request on February 12, 1997.

The Commission, after consideration of the evidence of record and being sufficiently advised, finds that:

1. Pioneer Village's current rates for sewer treatment services are not sufficient to cover operating costs and debt service on the proposed \$250,000 loan from SYB&T.

2. Pioneer Village, through its President James M. Walser, represented to the Commission that it will subsidize any shortfall of operating revenue. Mr. Walser is also Pioneer Village's third party beneficiary who as such has guaranteed the continued operation of Pioneer Village.

3. Pioneer Village should closely monitor its financial position and take appropriate measures as it deems necessary.

4. The proposed loan of \$250,000 is for a lawful object within Pioneer Village's corporate purposes, is necessary and appropriate for and consistent with the proper performance of its service to the public. Pioneer Village, through its President Mr. Walser, has assured the Commission that the proposed loan will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Pioneer Village is authorized to issue evidences of indebtedness in the form of a loan from SYB&T in the amount of \$250,000.

2. Pioneer Village shall, within 30 days after the loan closing, file with the Commission a statement setting forth the date of said loan closing, the amount borrowed, the interest rate, and all fees and expenses paid in connection with the loan.

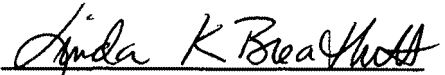
3. Pioneer Village shall agree only to such terms that are consistent with said parameters as set out in its application.

4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 7th day of April, 1997.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director