

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WARREN COUNTY WATER)
DISTRICT, WARREN COUNTY, KENTUCKY, (A))
FOR A CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY, PURSUANT TO KRS 278.020,)
AUTHORIZING SAID DISTRICT TO CONSTRUCT)
IMPROVEMENTS AND EXTENSIONS TO ITS)
EXISTING SEWER SYSTEM, WHICH IMPROVEMENTS)
AND EXTENSIONS WILL BE FINANCED IN WHOLE)
OR IN PART UNDER THE TERMS OF AN AGREEMENT)
BETWEEN THE WATER DISTRICT AND THE KENTUCKY)
INFRASTRUCTURE AUTHORITY; AND (B) FOR)
AUTHORITY TO ISSUE CERTAIN SECURITIES AS)
REQUIRED BY KRS 278.300)

CASE NO.
97-229

O R D E R

On May 21, 1997, Warren County Water District ("Warren Water") filed an application for a Certificate of Public Convenience and Necessity to construct a \$1,082,400 sewage system improvement project, and for approval of its plan of financing for this project. Project funding includes a \$982,400 loan from the Kentucky Infrastructure Authority ("KIA") and a \$100,000 contribution from the Tennessee Valley Authority ("TVA"). The loan will be for a 20-year period at an interest rate of 3.8 percent per annum. Warren Water stated in its application that the full debt service requirement has been guaranteed by the City of Bowling Green and Warren County, Kentucky, and that its existing rates are adequate to meet the annual costs of the addition to its water system.

Warren Water proposes to extend sewage collection lines along U.S. Highway 68 to serve, inter alia, a TVA Customer Service Center. Warren Water's application included

plans and specifications prepared by Warren Rural Electric Cooperative Corporation of Bowling Green, Kentucky ("Engineer"). Warren Water provided documentation that the plans and specifications have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. Public convenience and necessity require that the construction proposed in the application be performed and that a Certificate of Public Convenience and Necessity be granted.

2. The proposed construction consists of approximately 7,600 feet of dual 8-inch force mains, 5,300 feet of 15-inch sewer line, a sewage lift station, and related appurtenances. Based on the low bids submitted and after allowances are made for fees, contingencies, and other indirect costs, the total cost of this project is approximately \$1,082,400.

3. Warren Water should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

4. Any deviations from the construction approved should be undertaken only with the prior approval of the Commission.

5. Warren Water should furnish duly verified documentation of the total costs of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), within 60 days of the date that construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in

accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

6. Warren Water should require the provision of construction inspection 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.

7. Warren Water should furnish, within 60 days of the date of substantial completion of this construction, a copy of "as-built" drawings and a signed statement of the Engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

8. The financing plan proposed by Warren Water is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. It should therefore be approved.

9. The financial exhibits for the 12 months ended February 28, 1997 filed by Warren Water show net income of \$333,405. Taking into account projected additional annual operating expenses including depreciation, and 120 percent of the additional debt service requirements, Warren Water will continue to have a positive net income.

10. The financing secured by Warren Water for this project will be needed to pay for the work herein approved. Warren Water's financing plan should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Warren Water is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein.

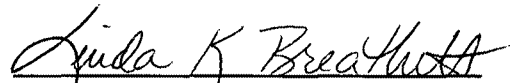
2. Warren Water's financing plan consisting of a \$982,400 loan from KIA for the sewer system improvement project and a \$100,000 contribution from TVA is approved. The financing herein approved shall be used only for the lawful purposes specified in Warren Water's application.

3. Warren Water shall comply with all matters set out in Findings 3 through 7 as if the same were individually so ordered.


Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 16th day of June, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director