

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER)
DISTRICT NO. 1 FOR A CERTIFICATE OF)
CONVENIENCE AND NECESSITY TO) CASE NO. 97-388
CONSTRUCT THE FORT KNOX)
INTERCONNECT PROJECT)

O R D E R

Hardin County Water District No. 1 ("Hardin District") has applied for a Certificate of Public Convenience and Necessity to construct a \$1,543,721 waterworks improvement project and, if required by law, approval of its proposed plan of financing.

Having reviewed the application and being otherwise sufficiently advised, the Commission finds:

1. Hardin District proposes to construct a pumping station with a pumping capacity of 4.3 million gallons per day, a 1.25 million gallon ground storage tank, approximately 4,000 linear feet of 16-inch ductile iron interconnect piping, a supervisory control and data acquisition system, and related appurtenances.
2. Hardin District currently operates two water treatment plants - Muldraugh Water Treatment Plant and the Pirtle Springs Water Treatment Plant.
3. Hardin District's Muldraugh Water Treatment Plant is in extremely poor condition and faces a continuous risk of a tank or structural failure because of the corroded condition of its tanks, piping and other structural members.

4. The most economical alternative water supply to replace the failing Muldraugh Water Treatment Plant is the purchase of water from the United States Army Armor Center and Fort Knox Military Installation ("Fort Knox").

5. On September 29, 1995, Hardin District and Fort Knox executed a contract under which Fort Knox agreed to supply Hardin District with a maximum of 2.7 million gallons of water per day for a period of five years. The Contract further provided for extension of the contract term under certain conditions.

6. The proposed waterworks improvement project would permit Hardin District to replace the Muldraugh Water Treatment Plant from Fort Knox.

7. The proposed project is necessary to ensure the continuity of adequate service to Hardin District's customers.

8. As the Muldraugh Water Treatment Plant cannot soften water or adequately remove iron deposits from it and as Fort Knox will soften and remove iron deposits from all water sold to Hardin District, the proposed waterworks improvement project will improve the quality of service provided to existing Hardin District customers.

9. The proposed construction will not compete with any other water utility.

10. Quest Engineers, Inc., of Louisville, Kentucky ("Engineer") prepared the drawings and specifications for the proposed improvements.

11. The Division of Water of the Kentucky Natural Resources and Environmental Protection Cabinet has approved the drawings and specifications for the proposed improvements.

12. Construction of the proposed improvements will not result in the wasteful duplication of existing facilities.

13. Estimated total cost of the proposed waterworks improvement project is \$1,543,721.

14. Hardin District proposes to issue \$3.2 million of 20-year variable rate bonds with a 7-day variable interest rate. It proposes to use the proceeds of this issuance to finance the proposed waterworks improvement project and refinance capital costs expended for Hardin District's recently constructed administrative and service facility.

15. Hardin District's current rates are adequate to support the debt service coverage on the proposed bonds.

16. Hardin District's issuance of \$3.2 million of 20-year variable rate bonds is for lawful objects within the corporate purpose of its utility operation, 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 IS THEREFORE ORDERED that:

1. Hardin District is granted a Certificate of Public Convenience and Necessity to construct the proposed improvements as set forth in the drawings and specifications contained in its application.

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

3. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

4. Hardin District shall furnish 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. 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. Hardin District shall require construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering.

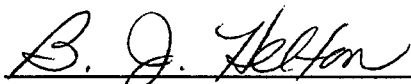
6. Hardin District is authorized to issue \$3.2 million of 20-year variable rate bonds.

7. The proceeds from the issuance of \$3.2 million of 20-year variable rate bonds shall be used only for the lawful purposes specified in Hardin District's application.

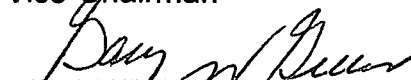
Nothing contain herein shall be deemed a warranty or finding of value of securities authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

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

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director