

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE NORTH NELSON)
WATER DISTRICT (1) FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
AUTHORIZING CONSTRUCTION OF MAJOR)
ADDITIONS AND IMPROVEMENTS TO ITS)
WATER DISTRIBUTION SYSTEM; (2) SEEKING)
APPROVAL OF REVISED WATER SERVICE) CASE NO. 97-255
RATES AND CHARGES; AND (3) SEEKING)
APPROVAL OF THE ISSUANCE OF CERTAIN)
SECURITIES, PURSUANT TO THE ISSUANCE)
OF CERTAIN SECURITIES, PURSUANT TO THE)
PROVISIONS OF KRS 278.020, KRS 278.300,)
AND KAR 5:001)

O R D E R

On June 20, 1997, the North Nelson Water District ("North Nelson") submitted its application for a Certificate of Public Convenience and Necessity ("Certificate") to construct a \$2,659,250 waterworks improvement project, for approval of financing, and for an adjustment to its retail water rates. By its Interim Order dated July 10, 1997, the Commission granted North Nelson a Certificate to construct its waterworks improvement project; however, the proposed financing plan and water rate adjustment were continued generally.

The Commission Staff ("Staff") issued its report on October 3, 1997, recommending North Nelson be authorized to adjust its water rates to achieve an increase in operating revenues of \$198,201. The Commission's December 18, 1997 Order incorporated by reference the recommendations and findings contained in the Staff Report and approved

North Nelson's requested water rate increase. As of this date the Commission has not issued a decision regarding North Nelson's proposed plan of financing, which is the only issue to be addressed by this Order.

To finance its construction, North Nelson proposed to issue Water System Revenue Bonds, Series 1997 ("Series 1997 Revenue Bonds") of \$2,500,000, charge customer tap-on fees of \$85,000, and receive customer contributions of \$74,250. The proposed Series 1997 Revenue Bonds will have variable interest rates of 4.9 percent to 6.65 percent per annum.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that North Nelson's proposal to issue \$2,500,000 of Series 1997 Revenue Bonds is for a lawful object within North Nelson's corporate purpose, is necessary, appropriate for and consistent with the proper performance of its service to the public, and should therefore be approved.

IT IS THEREFORE ORDERED that:


1. North Nelson is authorized to issue \$2,500,000 of Series 1997 Revenue Bonds, at an interest rate that will vary between 4.9 percent and 6.65 percent per annum.
2. North Nelson shall, within 30 days after issuance of the securities, advise the Commission in writing of the date or dates of issuance of the securities, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commissions, or other compensation involved in the issuance and distribution.
3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes specified in North Nelson's application.

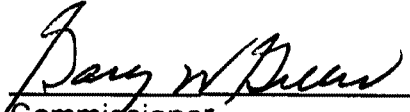
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

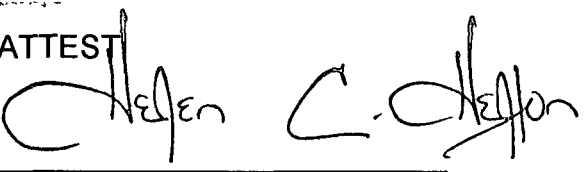
Done at Frankfort, Kentucky, this 25th day of February, 1998.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST

Executive Director