

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE SOUTH LOGAN)	
WATER ASSOCIATION FOR APPROVAL OF A)	
PROPOSED INCREASE IN RATES FOR WATER)	CASE NO. 2002-00481
SERVICE, APPROVAL TO BORROW FUNDS,)	
AND TO INCREASE NON-RECURRING)	
CHARGES)	

O R D E R

On December 26, 2002, South Logan Water Association (South Logan) applied to the Commission for approval of a proposed increase in rates for water service, approval to borrow funds, and to increase non-recurring charges. South Logan s application did not meet the minimum filing requirements, but all deficiencies were cured and the application deemed filed as of March 3, 2003.

South Logan s application included a request for approval to borrow \$119,608 from the Peoples State Bank in Adairville at an interest rate no greater than 7.5 percent to be repaid over a 60-month period. South Logan will use the loan proceeds to pay \$119,608 in a lump sum to the city of Adairville to repay funds owed to Adairville s Reserve Fund.

South Logan s application included a contract between Adairville and South Logan wherein South Logan agreed to repay \$119,608 to Adairville after the Commission granted its approval. According to the contract, certain funds were expended by Adairville to expand its water system in order to accommodate the addition of South Logan to the system, as well as South Logan s growth over the past several years. Adairville has been South Logan s traditional water supplier, but both parties will rely upon the newly formed Logan Todd Regional Water Commission (Logan Todd) to

meet their future water needs. Therefore, the proposed financing of \$119,608 is needed by South Logan to compensate and reimburse Adairville for its past water plant investment, which will soon be retired with the switch to Logan Todd.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that South Logan's proposed financing is for a lawful object within its 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. South Logan is authorized to borrow \$119,608 from the Peoples State Bank of Adairville for a 60-month term at a rate of 7.5 percent, for the purpose of repaying the city of Adairville.

2. South Logan shall, within 30 days of executing the agreement for the proposed Peoples State Bank loan, file with the Commission a statement setting forth the date of the loan, the actual interest rate, and the actual principal amount.

3. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

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

Done at Frankfort, Kentucky, this 1st day of May, 2003.

By the Commission

ATTEST:


Executive Director