

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE EAST CLARK )  
COUNTY WATER DISTRICT FOR A )  
CERTIFICATE OF PUBLIC CONVENIENCE )  
AND NECESSITY TO CONSTRUCT A WATER )  
IMPROVEMENTS PROJECT AND TO ISSUE ) CASE NO.  
SECURITIES IN THE APPROXIMATE ) 2003-00139  
AMOUNT OF \$264,000 FOR THE PURPOSE )  
OF FINANCING SAID PROJECT PURSUANT )  
TO THE PROVISIONS KRS 278.020, 278.300 )  
AND 807 KAR 5:001 )

ORDER

On April 21, 2003, East Clark County Water District ( East Clark District ) applied to the Commission for a Certificate of Public Convenience and Necessity ( Certificate ) to construct a waterworks improvement project and to obtain Commission approval of its proposed plan of financing. The total cost of the construction project is approximately \$902,736.

The proposed waterworks improvement project includes installation of approximately 13.25 miles of 4-inch and 6-inch water lines, installation of two new master meter connections to the Winchester Municipal Utilities, installation of a new master meter connection to Kentucky-American Water Company, and upgrade of the booster pump on Bailey Lane. The project will allow East Clark District to serve approximately 47 new customers. Plans and specifications for the proposed improvements prepared by Howard K. Bell Consulting Engineers, Inc. of Lexington,

Kentucky, were approved on June 5, 2002 by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

East Clark District proposes to fund its waterworks improvement project with a \$551,000 grant from the Kentucky Infrastructure Authority, local funds of \$87,736, and a \$264,000 loan from the Kentucky Rural Water Finance Corporation ( KRWFC ). The proposed KRWFC loan will have a 10-year term with an interest rate that will vary from 1.45 to 4.16 percent per annum.

As part of its application, East Clark District moves for a deviation from the provision of Administrative Regulation 807 KAR 5:001, Section 6, requiring that, [w]hensoever in these rules it is provided that a financial exhibit shall be annexed to the application, the said exhibit shall cover operations for a twelve (12) month period, said period ending not more than ninety (90) days prior to the date the application is filed. However, Section 14 of that regulation permits a deviation upon the showing of good cause.

In support of its request, East Clark District states that there has been no change that is material in nature in the financial condition or operation of East Clark District since December 31, 2001. In its application, East Clark District uses the financial data for the 12-month period ending December 31, 2002, the most recent published financial data available. According to East Clark District, its computer system cannot generate the required financial data in a timely and efficient manner. Requiring it to generate updated financial statements, East Clark District claims, would cause it to lose its favorable bids and favorable interest rates. Having considered East Clark District's request, the Commission has determined that good cause for granting the deviation has

been presented, and that there is sufficient financial information in the record for it to render a decision regarding the proposed KRWFC loan.

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 be performed and that a Certificate be granted.

2. The proposed construction consists of the installation of approximately 13.25 miles of 4-inch and 6-inch water lines, three new master meter connections, and will allow East Clark District to serve 47 potential new customers.

3. After allowances for fees, contingencies, and other indirect costs, the total project cost is approximately \$902,736.

4. East Clark District should obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

5. East Clark District should file a copy of the as-built drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

6. East Clark District should require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky licensure, competent 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. East Clark District should notify the Commission, in writing, one week prior to the start of construction and after 50 percent completion.

8. East Clark District's proposal to obtain the KRWFC loan as described herein to finance its proposed waterworks improvement project 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. East Clark District's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.

2. East Clark District is granted a Certificate to proceed with the proposed waterworks improvement project.

3. East Clark District shall comply with the requirements contained in Findings 4 through 7 as if the same were individually so ordered.

4. East Clark District is authorized to borrow an amount not to exceed \$264,000 from the KRWFC at a variable interest rate.

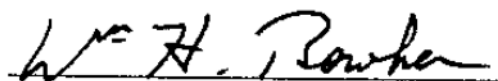
5. East Clark District shall, within 30 days of executing the agreement for the proposed KRWFC loan, file with the Commission a statement setting forth the date of the loan, the actual initial interest rates, and the actual principal amount.

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 28<sup>th</sup> day of May, 2003.

By the Commission

ATTEST:

  
Deputy Executive Director