

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MADISON COUNTY UTILITY)	
DISTRICT FOR: (A) AUTHORITY TO FINANCE)	
CONSTRUCTION IN THE APPROXIMATE AMOUNT)	
OF \$3,000,000; AND (B) A CERTIFICATE OF)	CASE NO.
CONVENIENCE AND NECESSITY FOR THE)	2002-00184
CONSTRUCTION OF WATER FACILITIES AND)	
ADJUSTMENT OF RATES)	

ORDER

On August 9, 2002, Madison County Utility District (“Madison District”) applied for a Certificate of Public Convenience and Necessity (“Certificate”) to construct a \$3,047,500 waterworks improvement project, for approval of its plan for financing the project, and for adjustments to its water service rates. On August 14, 2002, Madison District was granted a Certificate to proceed with the construction of approximately 24,794 linear feet of 12-inch, 40,505 linear feet of 8-inch, 57,962 linear feet of 6-inch, 34,801 linear feet of 4-inch water transmission mains and related appurtenances, a 500-gallon per minute pumping station, and a 500,000-gallon elevated water storage tank to serve approximately 75 new customers. Funding for these projects consisted of a \$3,000,000 loan from the Kentucky Infrastructure Authority (“KIA”) and \$47,500 from internally generated funds. Madison District’s proposed rates were approved by the Commission on April 29, 2003.

On June 9, 2004, Madison District requested approval to construct approximately 22,100 linear feet of additional 4-inch and 28,550 linear feet of additional 6-inch PVC

water transmission main and related appurtenances not included in the August 14, 2002 Order. This additional project will add approximately 62 new customers in the northeast area of Madison County at a cost of approximately \$733,000. This extension will be funded from \$220,000 remaining from the existing KIA loan, an additional \$300,000 increase to the original KIA loan, a \$100,000 grant from the KIA, and \$113,000 from tap-on fees and internally generated funds. This additional funding will not affect the rates approved in the April 29, 2003 Order. Plans and specifications for the proposed extension prepared by CMW, Inc. of Richmond, Kentucky, were approved on March 22, 2004 by the Division of Water of the Environmental and Public 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 requested additional construction proposed be performed and that a Certificate be granted.
2. The proposed additional construction consists of approximately 22,100 linear feet of additional 4-inch and 28,550 linear feet of additional 6-inch PVC water transmission main and related appurtenances to serve approximately 62 new customers in the northeast area of Madison County.
3. Madison District should notify the Commission prior to performing any additional construction not expressly authorized by this Order or the August 14, 2002 Order.
4. Any deviation from the construction approved should be undertaken only with the prior approval of the Commission.

5. Madison District should 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 should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

6. Madison 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. The proposed amendment of Madison District's loan agreement with KIA to borrow a total of \$3,300,000 is for a lawful object within Madison District's purposes, is necessary and consistent with the proper performance of Madison District of its service to the public and will not impair its ability to perform that service and is reasonable necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Madison District is granted a Certificate to proceed with the proposed construction project consisting of approximately 22,100 linear feet of additional 4-inch and 28,550 linear feet of additional 6-inch PVC water transmission main and related appurtenances as set forth in the drawings and specifications of record herein.

2. Madison District is authorized to amend its existing loan agreement with the KIA for a total amount not to exceed \$3,300,000.

3. Madison District is authorized to use the proceeds of its \$3,300,000 loan from KIA for the purposes set forth in its original and amended applications.

4. Madison District shall comply with the requirements contained in Findings 3 through 6 as if the same were individually so ordered.

Done at Frankfort, Kentucky, this 10th day of August, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above a solid horizontal line.

Executive Director