

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE PEAKS MILL WATER	)	
DISTRICT FOR (1) A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY TO	)	
CONSTRUCT THE PROPOSED WATERWORKS	)	
IMPROVEMENT PROJECT; (2) THE APPROVAL	)	CASE NO. 2006-00142
OF THE PROPOSED PLAN TO FINANCE THE	)	
WATERWORKS IMPROVEMENT PROJECT; AND	)	
(3) THE APPROVAL OF THE PROPOSED	)	
INCREASE IN RATES FOR WATER SERVICE	)	

ORDER

On April 6, 2006, Peaks Mill Water District (“Peaks Mill”) tendered its application for a Certificate of Public Convenience and Necessity to construct a waterworks improvement project, for authority to execute a 20-year loan agreement with the Kentucky Infrastructure Authority (“KIA”) in the principal amount of \$971,179, and for approval of the proposed increase in rates.

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

1. Peaks Mill is a water district organized pursuant to KRS Chapter 74.
2. Peaks Mill owns and operates facilities used to distribute water for compensation to approximately 1,048 residential customers in Franklin County, Kentucky.

3. Peaks Mill proposes to install approximately 43,913 linear feet of 6-inch water main to supply water to areas that Peaks Mill does not currently serve and will add approximately 41 new customers to Peaks Mill's distribution system.

4. The project includes 3,000 feet of 6-inch main that will be located on Kay's Branch Road in Owen County, Kentucky.<sup>1</sup>

5. On February 14, 2006, Billy O'Banion, the Owen County Judge/Executive, "[e]ntered an Order declaring certain territory in Owen County, which includes Kay's Branch Road, to be annexed as territory of Peaks Mill."<sup>2</sup>

6. Estimated total cost of the proposed project, including construction costs, contingencies, and engineering and inspection fees, is \$995,779.

7. Warner A. Broughman III and Associates, of Lexington, Kentucky, prepared the plans and specifications for the proposed project.

8. The Division of Water of the Kentucky Environmental and Public Protection Cabinet has approved the plans and specifications for the proposed project.

9. The proposed project will not compete or conflict with the facilities of other jurisdictional utilities operating in the same area.

10. The proposed project will not result in the wasteful duplication of utility facilities.

11. The public convenience and necessity require the proposed project.

12. Peaks Mill proposes to finance the proposed project with the proceeds of a \$971,179 KIA loan and contributions from the customers ("tap-on fees") of \$24,600.

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<sup>1</sup> Response of Peaks Mill to Commission Staff's First Data Request, Item 1(b).

<sup>2</sup> Id., Item 2.

13. Peaks Mill estimates that the KIA loan will have a 20-year term and an interest rate of approximately 5.00 percent per annum.

14. Peaks Mill's proposed loan agreement with KIA 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, will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Peaks Mill is granted a Certificate of Public Convenience and Necessity to proceed with the proposed water main extension project as set forth in the plans and specifications of record herein.

2. Peaks Mill is authorized to borrow an amount not to exceed \$971,179 from the KIA at an interest rate of 5 percent per annum to finance Peaks Mill's proposed waterworks improvement project.

3. Peaks Mill shall, within 30 days of obtaining the KIA loan authorized herein, file with the Commission a statement in this proceeding setting forth the date the KIA loan is executed, the actual interest rate(s), and the principal amount.

4. The KIA loan proceeds shall be used only for the lawful purposes specified in Peaks Mill's application.

5. Peaks Mill shall obtain approval from the Commission prior to performing any additional construction not expressly authorized within this Order.

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

7. Peaks Mill 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.

8. Peaks Mill shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration 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.

9. Peaks Mill shall 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.

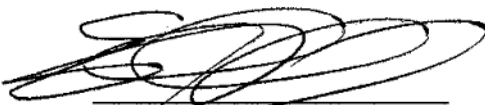
10. Nothing in this Order shall be construed as approval of any other portion of Peaks Mill’s application.

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

Done at Frankfort, Kentucky, this 30<sup>th</sup> day of May, 2006.

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 horizontal line.

Executive Director