

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE EAST CLARK COUNTY	)	
WATER DISTRICT FOR A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY TO CONSTRUCT	)	CASE NO.
AND FINANCE A WATER IMPROVEMENTS	)	2011-00271
PROJECT PURSUANT TO KRS 278.020 AND	)	
278.300	)	

ORDER

On July 13, 2011, East Clark County Water District ("East Clark District") applied for a Certificate of Public Convenience and Necessity to construct a water works improvement project and for authority to execute a 20-year loan agreement with the Kentucky Rural Water Finance Corporation ("KRWFC") in the principal amount of \$520,000.

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

1. East Clark District proposes to construct a 500,000-gallon elevated water storage tank and related appurtenances.
2. The proposed storage facility will replace an existing 100,000-gallon standpipe and an existing 375,000-gallon standpipe. These standpipes have a combined useful storage of 111,500 gallons.
3. The proposed storage facility will result in increased water storage in East Clark District's northern service area, significantly increase system pressure in that pressure zone, reduce pressure fluctuations in East Clark District's distribution system, permit the elimination of one hydro-pneumatic station, and improve water quality.

4. Estimated total cost of the proposed project is \$1,024,204, which includes engineering design costs, easement and right-of-way acquisition costs, and legal and financing costs.

5. Bell Engineering of Lexington, Kentucky prepared the plans and specifications for the proposed project.

6. The Kentucky Division of Water and the Kentucky Energy and Environment Cabinet have approved the plans and specifications for the proposed project.

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

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

9. East Clark District proposes to execute a loan agreement with KRWFC to borrow \$520,000 and to repay this amount over a 20-year period at an interest rate that will vary from 2.750 percent to 4.750 percent per annum.

10. East Clark District will use proceeds from the proposed loan agreement, together with a reoffering premium of \$404 and internal funds of \$504,204,<sup>1</sup> to finance

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<sup>1</sup> Exhibit C did not take into account the reoffering premium of \$404 in its calculation of Total Project Funding. Exhibit C indicates that the project will be funded by a loan in the amount of \$520,000 plus local funds in the amount of \$504,204. If the \$404 reoffering premium is included in Total Project Funding, the amount of local funds would be reduced by \$404, resulting in \$503,800 of local funds necessary for the project funding.

the cost of the proposed project and bond issuance.<sup>2</sup>

11. East Clark District's proposed loan is for a lawful object within its corporate purpose, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair East Clark District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

12. East Clark District has requested a deviation from 807 KAR 5:001, Section 11(2)(a), which requires the filing of a financial exhibit covering, "operations for a twelve (12) month period . . . ending not more than ninety (90) days prior to the date the application is filed."<sup>3</sup> It has provided its financial statements for calendar year 2010 and represents that there has been no change that is material in nature in its financial condition or operation since the publication of these statements.

13. East Clark District has demonstrated good cause to permit its deviation from 807 KAR 5:001, Section 11(2)(a).

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<sup>2</sup> Application at Exhibits C and G. Total Project Funding = \$520,000 (loan proceeds) plus \$404 (reoffering premium) plus \$503,800 (local funds when reoffering premium included) = \$1,024,204. Total Costs = \$801,825 (construction bid) plus \$60,000 (owner construction cost) plus \$121,879 (engineering costs) plus \$500 (land, easement, and rights-of-way) plus \$20,404 (financing costs) plus \$19,596 (legal costs) = \$1,024,204. Financing costs include total underwriter's discount, costs of issuance, and rounding amount. Legal Costs were determined by subtracting financing costs from "Legal and Financing" shown at Exhibit C.

<sup>3</sup> 807 KAR 5:001, Section 6. 807 KAR 5:001, Section 11(2)(a), refers to Section 6. While East Clark District requests a deviation from 807 KAR 5:001, Section 6, its requested relief requires a deviation from 807 KAR 5:001, Section 11(2)(a). The Commission will consider East Clark District's request as a motion to deviate from 807 KAR 5:001, Section 11(2)(a).

IT IS THEREFORE ORDERED that:

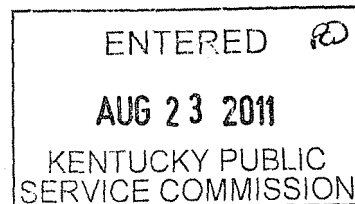
1. East Clark District's motion to deviate from 807 KAR 5:001, Section 11(2)(a), is granted.
2. East Clark District's application is considered filed as of July 13, 2011.
3. East Clark District is granted a Certificate of Public Convenience and Necessity to perform the construction set forth in its application.
4. East Clark District shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.
5. East Clark District 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.
6. East Clark District shall notify the Commission in writing one week prior to the actual start of construction and at the 50-percent completion point.
7. East Clark District is authorized to enter into a loan agreement with KRWFC to borrow no more than \$520,000 to be repaid over a 20-year period at an interest rate that varies from 2.750 percent to 4.750 percent per annum.
8. East Clark District shall, within 30 days of executing the proposed loan agreement, file with the Commission a statement setting forth the date the agreement was entered, the actual interest rates, and the principal amount.

9. East Clark District shall use the proceeds from the loan agreement authorized herein only for the lawful purposes specified in the application.

10. Any documents filed pursuant to ordering paragraphs 4, 6 and 8 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

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.

By the Commission



ATTEST:

*Stephanie Bell for Jeff Deroven*  
Executive Director

Case No. 2011-00271

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