

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO.:2004-00115

RECEIVED
JUL 22 2004
PUBLIC SERVICE
COMMISSION

THE APPLICATION OF KIRKSVILLE WATER ASSOCIATION REQUESTING: (1) A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING CONSTRUCTION OF MAJOR ADDITIONS AND IMPROVEMENTS TO ITS WATER SYSTEM; (2) SEEKING APPROVAL OF FINANCING PURSUANT TO KRS 278.023.

MOTION FOR AMENDED ORDER

Comes the applicant, Kirksville Water Association (hereinafter "KWA"), by counsel, and requests the Commission to amend its order dated April 23, 2004. KWA submitted a letter of conditions required by Rural Development with its original application. That letter of conditions was approved as accepted by the PSC in its order dated April 23, 2004. After the KWA application was submitted but before the PSC granted KWA's application, Rural Development agreed to provide additional financing to KWA to complete the water project under consideration. Rural Development submitted a new letter of conditions, called Amendment No. 1 to the Letter of Conditions dated January 29, 2004, to be considered for the additional financing. The amended letter of conditions is attached hereto as "Exhibit A". KWA requests approval of the Amendment No. 1 to the Letter of Conditions dated January 29, 2004, and the revised water rates contained in the amended letter of conditions. No additional construction is contemplated by the new letter of conditions and the PSC has approved all applicable engineering reports and materials. The revised rates notification is attached as "Exhibit B".

KWA requires an answer from the PSC as soon as practicable to proceed with the construction project.

Respectfully submitted,



Jud Patterson
Counsel for Kirksville Water Association
1001 Gibson Bay Drive, Suite 203
P.O. Box 825
Richmond, KY 40476
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Rural Development
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April 6, 2004

Mr. Billy C. May, President
Kirksville Water Association, Inc.
P.O. Box 670
Richmond, Kentucky 40476

Re: Letter of Conditions Dated January 29, 2003

Dear Mr. May:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated January 29, 2003. The purpose of this amendment is to (1) revise the total cost of the project due to a construction bid overrun; (2) add the Funded Depreciation Reserve Account requirements; (3) revise the rates and charges; and (4) make other editorial changes in accordance with current Rural Utilities Service (RUS) Instructions.

The Second Paragraph on Page 1 is revised to read as follows:

“ This letter is not to be considered as loan and/or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$170,000, a RUS grant not to exceed \$116,400, and a Kentucky Infrastructure Authority (KIA) 2020 grant of \$125,000. ”

Paragraph numbered “4” is revised to read as follows:

“ 4. Funded Depreciation Reserve Account:

The Association will be required to deposit \$80.00 per month into a "Funded Depreciation Reserve Account" until the account reaches \$9,600. The deposits are to be resumed any time the account falls below the \$9,600.

The required monthly deposits to the Reserve Account and required Reserve account levels are in addition to the requirements of the Association's prior note resolutions.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational. ”

Paragraph numbered "10.C" is revised to read as follows:

" 10. Insurance and Bonding:

- C. Fidelity Bond - The Association will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$100,000. "

Paragraph numbered "21" is revised to read as follows:

" 21. Cost of Facility:

Breakdown of Costs:

Development	\$ 334,500
Legal and Administrative	10,000
Engineering	68,800
Interest	5,000
Contingencies	<u>9,400</u>
TOTAL	\$ 427,700

Financing:

RUS Loan	\$ 170,000
RUS Grant	116,400
KIA 2020 Grant	125,000
Applicant Contribution	<u>16,300</u>
TOTAL	\$ 427,700 "

Paragraph numbered "24" is revised to read as follows:

" 24. Rates and Charges:

Rates and charges for facilities and services rendered by the Association must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

First	2,000	gallons @ \$	15.38 - Minimum Bill.
Next	3,000	gallons @ \$	7.37 - per 1,000 gallons.
Next	5,000	gallons @ \$	6.03 - per 1,000 gallons.
All Over	10,000	gallons @ \$	4.92 - per 1,000 gallons. "

All other provisions of the referenced Letter of Conditions remain in full force and unchanged.

Sincerely,

A handwritten signature in black ink that reads "Kenneth Slone". The signature is written in a cursive style with a long, sweeping underline.

KENNETH SLONE
State Director

cc: Area Director - London, Kentucky
Rural Development Manager - Richmond, Kentucky
Bluegrass ADD - Lexington, Kentucky
✓ Jud Patterson - Richmond, Kentucky
CMW, Inc. - Richmond, Kentucky
PSC - ATTN: Bob Amato - Frankfort, Kentucky

NOTICE

**TO CUSTOMERS OF
KIRKSVILLE WATER ASSOCIATION**

Kirksville Water Association is adding 7 miles of water line to service 25 new users who are currently without a safe and potable water supply. Kirksville Water Association proposes to make the following revisions to its schedule of charges to finance the construction project. The proposed effective date for the change is April 1, 2004.

OLD RATES

First 2000 gallons	\$12.81 minimum bill
Next 3000 gallons	6.14 per 1000 gallons
Next 5000 gallons	5.03 per 1000 gallons
All over 10000 gallons	3.97 per 1000 gallons

NEW RATES

First 2000 gallons	\$15.28 minimum bill
Next 3000 gallons	7.32 per 1000 gallons
Next 5000 gallons	5.99 per 1000 gallons
All over 10000 gallons	4.89 per 1000 gallons

The charges contained in this notice are the charges proposed by the Kirksville Water Association. However, the Public Service Commission may order charges to be charged that differ from these proposed charges. Such action may result in charges for consumers other than the charges in this notice.

Any corporation, association, body politic, or person may, by motion with thirty (30) days after publication of this fee change, request leave to intervene; and the motion shall be submitted to the Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the request including the status and interest of the party.

Intervenors may obtain copies of the application and related filings by contacting the water association.

Kirksville Water Association has available for inspection at its office the proposed changes to its Rules and Regulations. The office is located at 155 North Keeneland Drive, Richmond, KY 40475.

Kirksville Water Association.