

COMMONWEALTH OF KENTUCKY

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BEFORE THE PUBLIC SERVICE COMMISSION

JUL 7 2004

In the Matter of:

PUBLIC SERVICE COMMISSION

THE APPLICATION OF FLEMING COUNTY WATER ASSOCIATION, INC. of FLEMINGSBURG, KY. FOR (1) A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY (2) APPROVAL OF THE PROPOSED PLAN OF FINANCING SAID PROJECT

NO. 2004-00280

APPLICATION

This Application of Fleming County Water Association, Inc. (The "Applicant") of Flemingsburg, Kentucky respectfully shows:

1. That the Applicant is a nonprofit water association in Fleming County, Kentucky, created and existing under and by virtue of Chapter 273 of the Kentucky Revised Statutes, duly incorporated, with Articles of Incorporation filed in Book 2, Page 275, in the office of the Fleming County Clerk (and copies have been filed earlier with this Commission in Case No. 5378).

2. That the Post Office address of the Applicant is:

Fleming County Water Association, Inc.
2772 Morehead Road
P.O.Box 327
Flemingsburg, Ky. 41041

3. That the Applicant, pursuant to the provision of KRS 278.020, 278.023 and 278.030, seeks (i) a Certificate of Public Convenience and Necessity, permitting the Applicant to construct a waterworks construction project, consisting of extensions, additions and improvements (the "Project") to the existing waterworks system of the Applicant; and (ii) approval of the proposed plan of financing said Project.

4. That the Applicant desires to construct the Project in order to enable the Applicant to adequately serve residents in Fleming, Mason and Lewis Counties. The Project consists of connecting to existing water lines to improve water supply and water pressure in part of our system and to enable the association to connect to the water supply from the new Greater Fleming County Regional Water Commission and including the installation of a ten (10)" inch feeder line in the designated area.

5. That the residences, farms, churches and businesses embraced in the service area of the Fleming County Water Association, Inc. were formerly served by private wells, cisterns and tank water, with no treatment facilities. There was no public

water supply available for domestic consumption, and existing water supply services were completely inadequate to serve their needs. That the proposed new construction will therefore clearly serve the public convenience and necessity of the citizens and residents to be served by the Applicant.

6. That the waterworks systems located nearest said area served by the Applicant are those owned by the City of Flemingsburg, Kentucky, Western-Fleming County Water District, Ewing, Fleming County, Kentucky, Vanceburg Utility System, Maysville Utilities Co. and Rowan Water, Inc., Morehead, Kentucky, and the new Greater Fleming County Regional Water Commission, Flemingsburg, Ky. which is presently under construction..

7. That the Applicant proposes to finance the construction of said project by a loan in the amount of \$544,000.00 from the Rural Utilities Service (RUS), secured by a lien on the association's fiscal assets and evidenced by the association's promissory note in the amount of \$544,000.00 to be repaid over a period of forty (40) years with interest at the rate of Four and one-half (4-1/2%) Per Cent Per Annum, or at such interest rate as may be prevailing at the time of loan closing.

A copy of the USDA/RD letter of conditions dated December 03, 2002 is filed herewith as Exhibit "1".

8. That the Applicant has observed the appropriate legal procedure in employing Haworth, Meyer & Boleyn, Inc., Engineers, Frankfort, Kentucky, to prepare the plans and specifications as to said project, both preliminary and final, which are submitted herewith as Exhibit "2". Said plans have been approved by the appropriate agencies of the Commonwealth of Kentucky as submitted herewith as Exhibits "A" through "___". Said plans have also been approved by the Rural Economic and Community Development Services of the United States Department of Agriculture. The association has advertised for bids and received same on June 17, 2004, which are filed herewith as Exhibit "3". A copy of the RUS letter of concurrence in bid award is filed herewith as Exhibit "4".

Construction is to begin within 10_ days of the bid award and is to be completed within 270 days thereafter.

9. The Applicant obtains its water supply from the City of Flemingsburg Water System, Rowan Water, Inc., Vanceburg Utility System, Maysville Water Co. and Western-Fleming County Water District and sometime in 2005 will obtain the majority of its water supply from the new Greater Fleming County Regional Water Commission, presently under construction.

10. With the signing of this application, J. E. Smith, Jr., President of Fleming County Water Association, Inc. hereby certifies:

That the proposed plans and specifications for the project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 5(3) and (4), Section 6(1), Sections 7 and 8, Section 9(1) through (3), Section 10(1) and Section 11.

11. Statements Concerning Financial Exhibit

- (1) No stock was authorized.
- (2) No stock was issued.
- (3) No preferred stock was issued.

(4) The association has executed to the Farmers Home Administration (now Rural Utilities Service) mortgages on its mains, distribution lines, meters, easements, storage tanks and tank sites on the dates and notes in the stated amounts as follows:

January 12, 1971	-	\$561,000.00
February 12, 1981	-	260,000.00
July 26, 1985	-	105,000.00
December 13, 1988	-	300,000.00
July 14, 1992	-	504,000.00
October 13, 1994	-	700,000.00
October 13, 1994	-	185,600.00
April 23, 1997	-	529,000.00
November 22, 2000	-	284,780.00

All mortgages are of record in the Fleming County Clerk's Office.

- (5) No bonds have been authorized or issued.
- (6) Notes to Farmer Home Administration (RUS):

Date of Issue	Amount	Maturity Date	Interest Rate Paid in 1996
Nov. 22, 2000	\$284,780	Nov. 22, 2040	5%
April 23, 1997	\$529,000	Apr. 23, 2040	5%
Oct. 13, 1994	\$700,000	Oct. 13, 2034	4 1/2%
Oct. 13, 1994	185,600	Oct. 13, 2034	4 1/2%
July 14, 1992	504,000	July 14, 2032	5%
Dec. 13, 1988	300,000	Dec. 13, 2028	5.75%
July 26, 1985	105,000	July 26, 2025	5%
Feb. 12, 1981	260,000	Feb. 12, 2021	5%
Jan. 12, 1971	561,000	Jan. 12, 2011	5%

(7) The association has no additional indebtedness other than ordinary monthly expenses.

(8) The association has not paid any dividends because there is no capital stock.

WHEREFORE, Applicant, the Fleming County Water Association, Inc. prays that the Public Service Commission of Kentucky grant to the Applicant the following:

- A. A certificate of Public Convenience and Necessity permitting the Applicant to construct the necessary additional distribution system and lines needed to serve water to its association members.
- B. An Order approving the financing arrangements made by the Association, viz., the obtaining of a loan in the amount of \$544,000.00 at an interest rate of 4-1/2% per annum or the prevailing interest rate at the time of loan closing, and the issuance, execution and delivery of the association's lien note to the Rural Utilities Service-United States Department of Agriculture.

DATED this 2nd day of July, 2004, at Flemingsburg, Kentucky.

FLEMING COUNTY WATER ASSOC., INC.

BY: J. E. Smith, Jr.
J. E. SMITH, JR. PRESIDENT

ATTEST:
Wayne Craft
WAYNE CRAFT, SECRETARY

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