

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HENDERSON COUNTY)	
WATER DISTRICT TO MODIFY THE)	
COMMISSION'S ORDER OF AUGUST 23, 2012 IN)	CASE NO. 2013-00345
CASE NO. 2012-00352 TO REFLECT)	
MODIFICATIONS IN FINANCING AGREEMENT)	
WITH RURAL DEVELOPMENT)	

ORDER

On August 23, 2012, the Commission issued an Order in Case No. 2012-00352¹ which, *inter alia*, granted a Certificate of Public Convenience and Necessity to Henderson County Water District ("Henderson District") to construct a waterworks improvement project in Henderson County, Kentucky, whose total estimated cost was \$1,695,000, and authorized the issuance of revenue bonds in the amount of \$1,695,000. We acted pursuant to KRS 278.023, which requires us to accept agreements between water utilities and the U.S. Department of Agriculture and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

On August 26, 2013, Henderson District moved to modify the Order of August 23, 2012, to reflect changes in its agreement with Rural Development ("RD"), an agency of the U.S. Department of Agriculture. More specifically, RD modified its agreement with

¹ Case No. 2012-00352, Application of the Henderson County Water District for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to KRS 278.023 (Ky. PSC Aug. 23, 2012).

Henderson District to reflect increased costs of construction² and to provide that Henderson District would borrow an additional \$300,000 from RD and would issue revenue bonds to RD as evidence of that loan.³ In neither its original application nor its motion for modification has Henderson District requested an adjustment of rates.⁴

As KRS 278.023 provides no discretion on the Commission's part to independently review and weigh these modifications and as it further directs us to "issue. . . such orders as may be required to implement the terms of the agreement [between a water district and RD]," we find that Henderson District's application must be

² As originally presented to the Commission, the total estimated cost of the proposed project was \$1,695,000. The individual components of this cost were:

Development	\$ 1,337,000
Land and Rights	10,000
Legal and Administrative	10,000
Engineering	183,345
Interest	15,000
Contingencies	<u>133,700</u>
Total	\$ 1,695,000

According to the revised letter of conditions, the estimated cost of the proposed project was revised as follows:

Development	\$ 1,716,000
Land and Rights	29,000
Legal and Administrative	35,000
Engineering	183,345
Interest	35,000
Contingencies	<u>30,000</u>
Total	\$ 2,028,345

Letter from Thomas G. Fern, State Director, Rural Development, to David Spainhoward, Chairman, Henderson County Water District (Aug. 8, 2013).

³ Under the terms of the latest letter of conditions, the proposed project will be financed through the issuance of \$1,995,000 of revenue bonds to RD and \$33,000 from internal funds. As originally proposed, Henderson District was not required to make any contribution from internal funds.

⁴ In its original letter of conditions and its revised letter of conditions, RD requires that Henderson District charge rates that exceed those that Henderson District currently charges. By separate application, Henderson District has requested an adjustment of its general rates for water service that would meet the requirements of the revised letter of conditions. See Case No. 2013-00154, *Application of Henderson County Water District for an Alternative Rate Filing Adjustment* (Ky. PSC filed Apr. 18, 2013).

granted and that the project's proposed plan of financing, which includes the issuance of an additional \$300,000 of revenue bonds, must be approved.

IT IS THEREFORE ORDERED that:

1. The record of Case No. 2012-00352 is incorporated by reference into the record of this proceeding.

2. Henderson District's Motion to Amend Order is granted.

3. Henderson District's proposed plan of financing is approved.

4. Henderson District is authorized to issue \$1,995,000 of Henderson Water District Waterworks Revenue Bonds at an interest rate not exceeding 3.75 percent per annum and maturing over 40 years.

5. Henderson District shall use the proceeds of the revenue bond issuance solely for the purpose of financing the water distribution facilities for which the Commission issued a certificate of public convenience and necessity in Case No. 2012-00352.

6. Notwithstanding Ordering Paragraph 5, if surplus funds remain after the approved construction has been completed, Henderson District may use such surplus to construct additional plant facility if RD approves of the use, and the additional construction will not result in a change in Henderson District's rates for water service. Henderson District shall provide the Commission with written notice of this additional construction in accordance with 807 KAR 5069, Section 3.

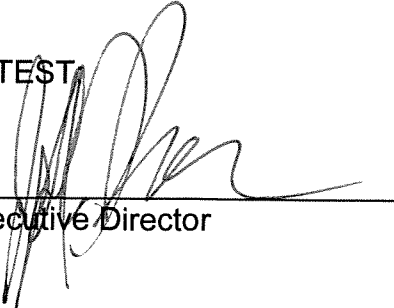
7. All provisions of the Commission's Order of August 23, 2012 that are not in conflict with this Order shall remain in full force and effect.

Nothing contained in this Order shall be deemed a warranty of the Commonwealth, or any agency thereof, of the financing accepted herein.

By the Commission

ENTERED
OCT 01 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST



Executive Director

Case No. 2013-00345

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