

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

**THE TARIFF FILING OF SOUTH ANDERSON
WATER DISTRICT SETTING POLICY FOR MAIN
EXTENSIONS TO SERVE REAL ESTATE
DEVELOPMENTS**

**CASE NO:
2005-00221**

**ANSWERS TO COMMISSION STAFF'S FIRST
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF
DOCUMENTS TO SOUTH ANDERSON WATER DISTRICT**

Comes the South Anderson Water District by and through
Counsel, and hereby responds to the Commission Staff's First set of
Interrogatories and Requests for Production of Documents to the South
Anderson Water District, as follows:

1. Interrogatory Number 1:

For those applicants that pay for extension, please clarify
whether South Anderson intends to make refunds to them for customers
who connect to the extensions pursuant to 807 KAR 5:066 (11)(b)(3).

Answer:

No

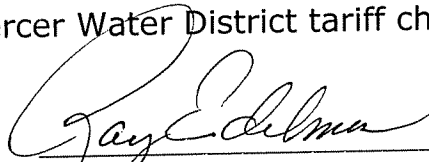
2. Interrogatory Number 2:

If no refunds are to be made, please state the reasons for this
policy.

ANSWER:

The South Anderson Water District is relying on precedent, believes that the adjoining North Mercer Water District has submitted a tariff which absolves it from the aforementioned 50 foot reimbursement rule.

Additional reasons are that the financial burden on the South Anderson Water District in making these reimbursements is extraordinary and openly burdens the customer of the South Anderson Water District which ultimately results in a higher rate and subsequent request for rate increases. Again, the South Anderson Water District believes that there is an historical basis for the granting of this request in referencing the North Mercer Water District tariff change.




Ray Edelman
150 South Main Street
Lawrenceburg, Kentucky 40342
502-839-5111
Counsel for
South Anderson Water District

Certificate of Service

I hereby certify that on the 26th day of August, 2005, a true copy and correct copy of the foregoing Answers to Interrogatories and First Request for Production of Documents was served by regular mail, postage prepaid to each of the following:

Beth O'Donnell
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

Jessamyn Thompson
Staff Member
Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615


Ray Edelman
Attorney at Law

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY



In the Matter of

THE APPLICATION OF SOUTH ANDERSON WATER)
DISTRICT, ANDERSON COUNTY, KENTUCKY, (1) FOR)
A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY) CASE
AUTHORIZING CONSTRUCTION OF MAJOR ADDITIONS) NO.
AND IMPROVEMENTS TO ITS WATER SYSTEM;) _____
(2) SEEKING APPROVAL OF REVISED WATER)
SERVICE RATES AND CHARGES; AND (3) SEEKING)
APPROVAL OF THE ISSUANCE OF CERTAIN SECURITIES.

The Applicant, South Anderson Water District, Anderson County, Kentucky (the “District”), acting by and through its Commission, respectfully tenders this Application and requests that the Public Service Commission of Kentucky enter its Order pursuant to KRS 278.023 and 807 KAR 5:069 granting a Certificate of Public Convenience and Necessity authorizing the District to construct major additions and improvements to its water system (the “System”) for the purpose of furnishing an adequate supply of pure and potable water for domestic, agricultural and commercial use in the District, approving the adjustment of water rates and charges to be levied and collected by the District and approving the issuance of certain securities by the District. In support of this Application and in conformity with the rules of the Public Service Commission, the District states as follows:

1. The District was established by Order of the County Court of Anderson County, Kentucky, entered under date of May 5, 1967, pursuant to the provisions of KRS 74.010. The District is now, and has been since its inception, regulated by the Public Service Commission of Kentucky, and all records and proceedings of the Public Service Commission with reference to the District are incorporated in this Application by reference.

2. The governing body of the District is its Commission, and in conformity with KRS 74.020(1)(a) the County Judge/Executive of Anderson County has entered appropriate Orders from time to time appointing and reappointing the present Commissioners who were and are residents of the District, such present Commissioners, and their respective offices, being as follows: Bob Kincer, Chairman, George Kinne, Secretary, and Janet Bryant, Treasurer. Each of the three Commissioners has qualified for office. The mailing address of the District is 246 East Court Street, P. O. Box 16, Lawrenceburg, Kentucky 40342, Attention: Bob Kincer, Chairman.

3. The District has previously issued and has outstanding the following revenue bonds payable from the income and revenues of its water system:

- (a) Water System Revenue Bonds, Series of 1975;
- (b) Water System Revenue Bonds, Series of 1981;
- (c) Water System Revenue Bonds, Series 1993;
- (d) Water System Refunding Revenue Bonds, Series 1999A; and
- (e) Water System Revenue Bonds, Series 2001.

The above-identified revenue bonds of the District were issued pursuant to approving orders of the Public Service Commission.

4. The District's consulting engineers, Kenvirons, Inc., Frankfort, Kentucky (the "Engineers"), have prepared a Preliminary Engineering Report and a Final Engineering Report as well as detailed plans and specifications for the construction and installation of proposed major additional water facilities and improvements (the "Project") to serve the District. The Preliminary Engineering Report dated February 2004 and the Final Engineering Report dated August 18, 2005, are appended hereto as Exhibit A and Exhibit B, respectively. These Exhibits contain, among other things, descriptions of the Project, cost figures and other pertinent data.

It is the opinion of the Commissioners of the District that the public health, safety and general welfare of the citizens and inhabitants of the District will be promoted and served by the construction of the Project and the financing thereof as herein described.

5. The District has caused public advertising to be made according to law soliciting competitive bids for the construction and installation of the Project; has received, opened and considered the construction bids; and has filed with the United States Department of Agriculture, Rural Development (“USDA”), the data prepared by the Engineers showing the bids received and the recommendations of the Engineers with respect thereto. USDA has approved the District's proposed award of the best bids as evidenced by the USDA letter of concurrence in the bid awards appended hereto as Exhibit C.

The District hereby states, through its undersigned Chairman and upon the advice of the Engineers, 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 4(3) and (4), Section 5 (1), Sections 6 and 7, Section 8(1) through (3), Section 9 (1) and Section 10; that all other state approvals or permits for the Project have been obtained; that the proposed water rates of the District will produce total revenue requirements as set out in Exhibits A and B; and that construction of the Project is expected to begin on or about September 15, 2005, and to end on or about June 15, 2006.

6. The proposed adjusted water rates and charges of the District are set out in a Notice of Adjustment of Water Rates which is appended hereto as Exhibit D and has been published in the legal newspaper in Anderson County. The newspaper clipping evidencing such publication is appended hereto as a part of Exhibit D.

7. The estimated costs of and sources of funds for the Project are set out in Exhibit B and in Exhibit F identified below.

8. As shown in Exhibit B and in Exhibit F, the District proposes to finance, in part, the construction and installation of the Project by the issuance of its bonds, to be styled “Water

System Revenue Bonds, Series 2005,” in the principal amount of \$350,000 (the “Bonds”). A recent preliminary draft of a proposed bond-authorizing Resolution of the District authorizing \$350,000 of bonds is appended hereto as Exhibit E.

The District has entered into a loan agreement with USDA pursuant to which USDA will make a loan to the District of \$350,000, to be represented by the Bonds. The Bonds are expected to bear interest at the single rate of 4.375% per annum. Appended hereto as Exhibit F are copies of letters from USDA to the District setting forth terms, conditions and understandings relating to the loan, together with related USDA correspondence regarding the principal maturities of and interest rate on the Bonds.

With reference to the proposed issuance of the Bonds to USDA, the proceedings relating thereto will provide for the public advertisement of competitive bids for the Bonds according to Kentucky law; and in the event a bid or bids are received for the Bonds at an interest cost basis to the District more advantageous to the District than the loan commitment of USDA, the Bonds will be sold to such other bidder. However, it is not expected any more favorable bids will be received. The Bonds will not be delivered to USDA until such time as at least 80% of the available funds has been spent on the Project. This procedure is in accord with USDA rules requiring interim financing of USDA projects to the amount of the USDA loan. Accordingly, construction of the Project will be instituted and funded initially from the proceeds of an interim financing loan to be obtained from the Kentucky Rural Water Finance Corporation (“KRWFC”) at a rate not expected to exceed 3.85% per annum. The interim loan will be secured by (i) the undisbursed proceeds of the interim financing loan and (ii) the proceeds of the Bonds when delivered to USDA according to USDA practices and procedures.

Interim financing is also available to the District from USDA in the event other interim financing sources are not available or are unreasonable.

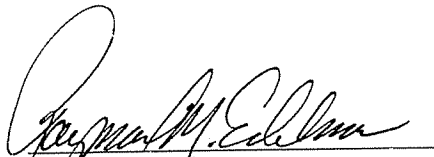
9. The Commission of the District respectfully represents to the Public Service Commission that there is a genuine need and demand for the Project and that the Commission should enter herein its Order, in compliance with KRS 278.023 and KAR 5:069, (a) issuing its Certificate of Public Convenience and Necessity pursuant to KRS 278.020 authorizing construction and installation of the Project, (b) approving the proposed schedule of water service rates and charges and (c) authorizing pursuant to KRS 278.300 the issuance of \$350,000 aggregate principal amount of Bonds by the District as described herein.

WHEREFORE, the Applicant, South Anderson Water District, respectfully requests that such Order be issued.

Respectfully submitted,

SOUTH ANDERSON WATER DISTRICT

By Bob Kincer
Bob Kincer
Chairman of the Commission


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Bond Counsel for the District

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF ANDERSON)

I, Bob Kincer, being first duly sworn according to law, state that I am Chairman of the Commission of South Anderson Water District, Anderson County, Kentucky, that I have read the foregoing Application, and that the statements of fact set forth therein are true and accurate to the best of my knowledge and belief.

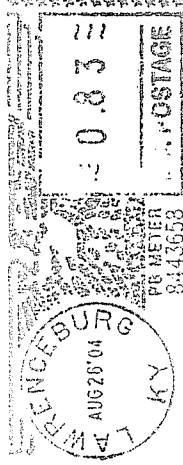
WITNESS my signature this ^{yk}25 day of August, 2005.

Bob Kincer
Bob Kincer

Subscribed and sworn to before me this 25 day of August, 2005. My commission expires 1/24/06.

Laura Harkes
Notary Public
Commonwealth of Kentucky

RAY EDELMAN
ATTORNEY AT LAW
150 SOUTH MAIN STREET
LAWRENCEBURG, KENTUCKY 40342



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