

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTHERN WATER AND)	
SEWER DISTRICT FOR AUTHORITY TO)	CASE NO.
BORROW FUNDS FOR PROPERTY)	2007-00099
ACQUISITION)	

O R D E R

Southern Water and Sewer District ("Southern District") has applied to the Commission for approval of its proposed plan of financing the acquisition of an office building. Southern District was notified that its filing was deficient and required certain information to be filed in order that the application could be deemed administratively complete. On March 29, 2007, Southern District corrected these deficiencies and its application was accepted for filing.

Southern District is currently leasing its office building located on Kentucky Route 680 in McDowell, Kentucky from James W. Frasure d/b/a Eastern Territory Leasing. The current lease agreement requires Southern District to pay Mr. Frasure a rental fee of \$2,000 per month. On July 11, 2006, Southern District entered into an "Option To Purchase" Agreement ("Purchase Option"), wherein Southern District will pay Mr. Frasure \$175,000 for the office building and land, \$5,000 upon execution of the Purchase Option, and \$170,000 after Southern District's financing has received Commission approval.

To finance its acquisition, Southern District is proposing to obtain a note from the First Guaranty Bank ("First Guaranty Note") in the principal amount of \$167,739. Southern District estimates that the proposed First Guaranty Note will have a 10-year

term with an interest rate of 5.50 percent per annum. According to the amortization schedule the monthly principal and interest payment will be \$1,827, which is \$173 less than the monthly lease payment of \$2,000.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Southern District's proposal to obtain the \$167,739 First Guaranty Note, as described herein, for the purchase of the office building 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 its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Southern District is authorized to obtain a \$167,739 loan for the purchase of an office building as described herein.
2. Southern District shall notify the Commission of the purchase of the Taylor Mill facilities within 10 days of the completion thereof.
3. Southern District shall, within 30 days of obtaining the First Guaranty Note authorized herein, file with the Commission a statement setting forth the date the bonds were issued, the actual interest rates, and the principal amount.
4. Southern District shall record the purchase of the office building and land on its books in accordance with the requirements of the Uniform System of Accounts for Class A and B Water Districts and Associations.

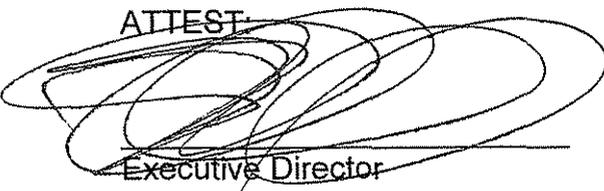
5. Within 30 days of the completion of the transaction, Southern District shall file the journal entries used to record the purchase and identify the detailed plant accounts to which the assets are recorded.

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.

Done at Frankfort, Kentucky, this 9th day of May, 2007.

By the Commission

ATTEST



Executive Director