

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MOUNTAIN WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO)	
CONSTRUCT A SEWER IMPROVEMENTS)	CASE NO.
PROJECT AND TO ISSUE SECURITIES IN)	2009-00541
THE APPROXIMATE AMOUNT OF \$750,000)	
TO FINANCE A PORTION OF SAID PROJECT)	
PURSUANT TO KRS 278.020, 278.300 AND)	
807 KAR 5:001)	

ORDER

On December 28, 2009, Mountain Water District (“Mountain District”) applied to the Commission for a Certificate of Public Convenience and Necessity (“Certificate”) to construct a wastewater improvement project and to obtain Commission approval of its proposed plan of financing. Due to filing deficiencies, the Commission did not accept the application for filing until January 19, 2010. Total cost of the construction project is approximately \$750,000.

As part of its application, Mountain District moves for a deviation from the provision of 807 KAR 5:001, Section 6, requiring that, “[w]henver in these rules it is provided that a financial exhibit shall be annexed to the application, the said exhibit shall cover operations for a twelve (12) month period, said period ending not more than ninety (90) days prior to the date the application is filed.” However, Section 14 of that regulation permits a deviation upon the showing of good cause.

In its application, Mountain District includes financial statements for the calendar year 2008, the most recent published financial data available. In support of its request

for a deviation from 807 KAR 5:001, § 6, Mountain District states that there has been no change that is material in nature in its financial condition or operation since December 31, 2008. Mountain District claims that its computer system cannot generate the required financial data in a timely and efficient manner. If the Commission requires Mountain District to generate the updated financial information, it may lose its favorable construction bids, which would result in an increase in the cost of the project.

The Commission has determined that good cause for granting Mountain District's requested deviation has been presented and that there is sufficient financial information in the record to render a decision regarding the proposed financing.

The proposed wastewater improvement project consists of the connection to the existing force main located along Collins Highway Route 122 and extending east approximately 1.4 miles along Route 122 toward the intersection of U. S. 460. The project will consist of approximately 7,400 linear feet of 4-inch force main, 1,000 linear feet of 2-inch force main, 6,000 linear feet of 1¼-inch force main, and 50 residential grinder pumps. Plans and specifications for the proposed improvements prepared by Summit Engineering Inc. of Pikeville, Kentucky were approved on April 9, 2008 by the Division of Water of the Energy and Environment Cabinet and extended by letter of December 2, 2009, with a construction start date of no later than April 9, 2010.

Mountain District proposes to finance the proposed sewer improvement project with a Kentucky Infrastructure Authority ("KIA") - American Recovery and Reinvestment Act Federally Assisted Wastewater Revolving Fund loan of \$750,000, to be

administered by the KIA.¹ The proposed \$750,000 KIA loan will be repaid over a 20-year period at an interest rate of 1 percent per annum.² According to the KIA commitment letter, the loan contains principal forgiveness in the amount of 52.1 percent.³

Based upon review of the record and being otherwise sufficiently advised, the Commission finds that the proposed construction is needed to extend sanitary sewer service to approximately 50 customers in the Shelby Valley Area of Pike County, Kentucky,⁴ is in the public interest, and will not compete with the facilities of any other utility. The Commission further finds that the proposed loan agreement with KIA is for a lawful object within Mountain District's corporate purposes, is necessary and appropriate for and consistent with Mountain District's proper performance of its service to the public and will not impair Mountain District's ability to perform that service, and is reasonably necessary and appropriate for such purpose. When Mountain District receives the principal forgiveness of 52.1 percent or \$390,750, it should debit the appropriate Long Term-Debt Account for the \$390,750 and should make a corresponding credit entry to Account 271-Contributions in Aid of Construction.

¹ Application, Exhibit E, KIA American Recovery and Reinvestment Act Federally Assisted Wastewater Revolving Loan Fund Conditional Commitment Letter (A2 09-32) dated December 7, 2009.

² Id., at 2.

³ Id., at 1.

⁴ Application, Exhibit A.

IT IS THEREFORE ORDERED that:

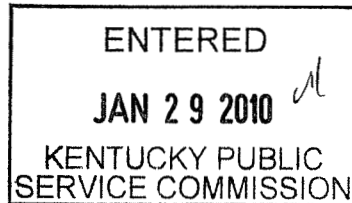
1. Mountain District's motion to deviate from 807 KAR 5:001, § 6, is granted.
2. Mountain District is granted a Certificate to construct the proposed wastewater improvement project.
3. Mountain District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
4. Mountain District is authorized to enter into a loan agreement with KIA for an amount not to exceed \$750,000 with a term of 20 years at an interest rate of 1 percent per annum.
5. Upon receipt of the principal forgiveness of 52.1 percent, or \$390,750, Mountain District shall debit the appropriate Long Term-Debt Account for the amount of the forgiveness and shall make a corresponding credit entry to Account 271-Contributions in Aid of Construction.
6. Mountain District shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.
7. Mountain District shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky licensure, competent in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. Mountain District shall notify the Commission, in writing, one week prior to the start of construction and at the 50 percent completion point.

9. Any documents filed in the future pursuant to ordering paragraphs 6 and 8 herein shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing approved herein.

By the Commission



ATTEST:



Executive Director

Honorable W. Randall Jones
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