

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BEREA COLLEGE WATER)
UTILITY, A DEPARTMENT OF BEREA)
COLLEGE, FOR A CERTIFICATE OF)
CONVENIENCE AND NECESSITY) CASE NO. 10270
AUTHORIZING THE CONSTRUCTION OF)
WATER SYSTEM IMPROVEMENTS AND)
APPROVAL OF FINANCING)

INTERIM ORDER

On May 24, 1988, Berea College Water Utility, a Department of Berea College ("Berea"), filed an application seeking a Certificate of Convenience and Necessity authorizing the construction and design of its proposed water treatment, storage and distribution facilities, and authority to issue \$5,000,000 of tax-free municipal bonds.

Berea states that its current water production and treatment facilities are in poor condition, are not capable of being operated at designed capacity and are not meeting the proposed standards under the Safe Drinking Water Act Amendment of 1986. Through recommendations made by Howard K. Bell Consulting Engineers, Inc., Berea has elected to build a 3 million gallon per day treatment plant, to convert its existing 14 inch raw water main to a treated water main, to construct a new 16 inch water main, and a 3 million gallon ground storage reservoir for the purpose of meeting Berea's present and future water service demands.

Berea's request for the bond issue is for the purpose of financing the above proposed construction. The proposed \$5,000,000 in bonds would be issued by the City of Berea and become a general obligation of Berea College and be subject to an average interest rate of 8.0 percent or less, a maturity date not exceeding 20 years, and an average annual debt service after the first 5 years of \$575,000 per year.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that Berea's request for approval of a Certificate of Convenience and Necessity authorizing the construction and design of its proposed water treatment, storage, and distribution facility prior to the filing of a final design of the facilities by Howard K. Bell Consulting Engineers, Inc., and approval of that design by Berea will be addressed in a future Order of this Commission. However, the Commission is aware of the importance associated with timing in the issuance and sale of bonds. Therefore, the Commission finds that the issuance and sale of the above securities by the City of Berea and undertaken as a general obligation by Berea College are for the lawful object and within the stated purposes of Berea's utility operations, are 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, and are reasonably necessary and appropriate for such purpose and should, therefore, be approved, but subject to the stated purpose of the financing as outlined in Berea's application.

IT IS THEREFORE ORDERED that:

1. Berea's request for approval of a Certificate of Convenience and Necessity will be addressed in a future Order by this Commission after the completion of all the necessary filings on the construction and design of its facilities by Berea with the Commission.

2. Berea, through the City of Berea, is hereby authorized to issue and sell \$5,000,000 of tax-free municipal bonds. The bonds final maturity date shall not exceed 20 years and the average annual interest rate shall not exceed 8.0 percent.

3. The approval of this financing is subject to the funds being used for the stated purpose as outlined in Berea's application.

4. Berea shall, as soon as reasonably possible after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commission or other compensation, involved in the issuance and distribution.

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 29th day of June, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Demery
Chairman

Robert M. Davis
Vice Chairman

Samuel N. Williams
Commissioner

ATTEST:

Executive Director