

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HENDERSON COUNTY WATER)	
DISTRICT FOR A CERTIFICATE OF CONVENIENCE)	CASE NO.
AND NECESSITY AND AUTHORIZATION TO)	97-250
BORROW FUNDS AND TO ISSUE ITS EVIDENCE)	
OF INDEBTEDNESS THEREFOR)	

O R D E R

On May 14, 1997, Henderson County Water District ("Henderson Water") filed an application for a Certificate of Public Convenience and Necessity to construct a \$1,838,768 water system improvement project and for approval of its plan of financing for this project. Project funding includes a \$1,800,000 issue of Revenue and Improvement Bonds, a \$25,000 contribution from the Henderson County Fiscal Court, and \$13,768 interest earned during construction. The bond issue will be for a 25-year period at an average interest rate of 5.59 percent per annum.

Henderson Water proposes to construct improvements to its water distribution system and to provide water service to approximately 90 additional customers. Henderson Water's application included plans and specifications prepared by Hunter Martin & Associates, Inc. of Paducah, Kentucky ("Engineer"). The Division of Water of the Natural Resources and Environmental Protection Cabinet has approved these plans and specifications.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. Public convenience and necessity require that the construction proposed in the application be performed and that a Certificate of Public Convenience and Necessity be granted.

2. The proposed construction consists of approximately 17 miles of 2-inch through 12-inch mains, a master meter, a booster pump station, a 500,000-gallon storage tank, and related appurtenances. Based on the low bids submitted and after allowances are made for fees, contingencies, and other indirect costs, the total cost of this project is approximately \$1,838,768.

3. Henderson Water should obtain approval from the Commission prior to performing any additional construction not expressly approved in this Order.

4. Any deviations from the construction approved should be undertaken only with the prior approval of the Commission.

5. Henderson Water should furnish duly verified documentation of the total costs of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), within 60 days of the date that construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

6. Henderson Water should require the provision of construction inspection under the general supervision of a professional engineer with a Kentucky registration 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.

7. Henderson Water should furnish, within 60 days of the date of substantial completion of this construction, a copy of "as-built" drawings and a signed statement of the Engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

8. The financing plan proposed by Henderson Water is for lawful objects within the corporate purpose of its utility operations, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

9. The financial exhibits for the 12 months ended December 31, 1996 filed by Henderson Water show net income of \$303,486. Taking into account projected additional annual operating expenses including depreciation, and 120 percent of the additional debt service requirements, Henderson Water will continue to have a positive net income.

IT IS THEREFORE ORDERED that:

1. Henderson Water is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein.

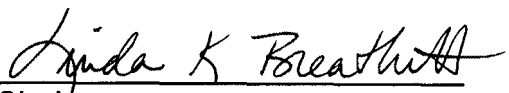
2. Henderson Water's financing plan consisting of a \$1,800,000 bond issue for the water system improvement project and a \$25,000 contribution from the Henderson County Fiscal Court is approved. The financing herein approved shall be used only for the lawful purposes specified in Henderson Water's application.


3. Henderson Water shall comply with all matters set out in Findings 3 through 7 as if the same were individually so ordered.

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

Done at Frankfort, Kentucky, this 8th day of July, 1997.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director