

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MORGAN COUNTY WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO CONSTRUCT)	CASE NO.
AND FINANCE PURSUANT TO KRS 278.023)	2002-00077

O R D E R

On March 6, 2002, Morgan County Water District (Morgan District) submitted an application for a Certificate of Public Convenience and Necessity to construct and finance a \$1,000,000 water-works construction project. The project consists of the construction and installation of approximately 18 miles of water line and appurtenances to provide water service to approximately 149 new rural customers. Also included in the project is the construction of a booster pump station and a pressure reducing station. Morgan District proposes to finance the construction of the project through:

- The issuance of \$300,000 of its Waterworks Revenue Bonds. Morgan District has a commitment from Rural Development (RD) to purchase said bonds maturing over a 40-year period, at an interest rate not exceeding 4.50 percent per annum.
- An RD grant in the amount of \$160,000.
- A grant from the Appalachian Regional Commission in the amount of \$500,000.
- A contribution from Morgan District in the amount of \$40,000.

Morgan District's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U.S. Department of Agriculture or the U.S. Department of Housing and Urban Development and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements were met in this case on March 6, 2002, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. Morgan District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Morgan District's proposed plan of financing with RD is accepted.
3. Morgan District is authorized to issue bonds not to exceed \$300,000.
4. Morgan 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.
5. Morgan District shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.
6. Three years from the effective date of this Order, Morgan District shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

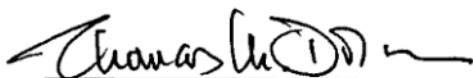
7. Morgan District shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Morgan District shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

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

Done at Frankfort, Kentucky, this 15th day of March, 2002.

By the Commission

ATTEST:



Executive Director