

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE HENRY COUNTY	)	
WATER DISTRICT NO. 2 FOR A CERTIFICATE	)	
OF PUBLIC CONVENIENCE AND NECESSITY	)	
TO CONSTRUCT AN IMPROVEMENTS	)	CASE NO. 2002-00308
PROJECT AND TO ISSUE SECURITIES IN	)	
THE APPROXIMATE PRINCIPAL AMOUNT	)	
OF \$900,000 FOR THE PURPOSE OF	)	
FINANCING SAID PROJECT	)	

O R D E R

On August 21, 2002, Henry County Water District No. 2 ( Henry County ), as part of its application for a Certificate of Public Convenience and Necessity to construct an improvements project and for approval to issue and sell securities to finance the project, moved for permission to deviate from the requirements of Administrative Regulation 807 KAR 5:001, Sections 6 and 11(2)(c). As grounds for its motion, Henry County contends that compliance with these sections would result in unnecessary delay in the commencement of the project, would cause the loss of favorable bids from its contractors, and would risk losing the favorable interest rates currently in the bond market. Upon review of the application, the Commission finds as follows:

This is an application by Henry County for approval of a waterworks improvement project that will allow it to meet growing demands upon its system from both retail and wholesale customers and to incorporate the water distribution system of the city of Campbellsburg into its system. To finance the project, Henry County proposes to

borrow \$900,000 from the Kentucky Rural Water Finance Corporation ( KRWFC ). The funds for the project would be provided by KRWFC from funds derived from the sale of securities. To reduce the cost of the bonds, KRWFC would market them in conjunction with two other unrelated projects as a single offering. The pricing date for the financing is scheduled for September 18, 2002, with the closing to take place on September 25, 2002.

Administrative Regulation 807 KAR 5:001, Section 6, requires that financial data filed with the application cover a 12-month period ending within 90 days of the filing of the application. Henry County has requested a deviation from that requirement and has filed with the application financial data covering the 12-month period ending December 31, 2001. Henry County states that the filed data is the most recent financial data available and that there has been no material change in the financial condition or in the operation of the water district since December 31, 2001.

The financial information filed with the application is sufficient to allow adequate review of Henry County's application. Compiling new information as specified in the regulation will unnecessarily delay the project, may cause Henry County to lose the favorable bids it received from its contractors and will risk the loss of the favorable interest rates currently in the bond market. Therefore, the financial data required by the regulation is not required for reviewing the application, and good cause has been shown for granting the deviation.

Administrative Regulation 807 KAR 5:001, Section 11(2)(c), requires a utility seeking approval to issue securities to finance a construction project to submit, among other things, detailed cost estimates of the project arranged according to the uniform

system of accounts appropriate to the utility. The information is used by the Commission in making a financial evaluation of the project. Henry County has requested a deviation from the regulation that would permit it to omit the detailed cost estimates.

In order to comply with the regulation, the detailed cost estimates it requires would have to be prepared by Henry County's accountants, and the time consumed in so doing would delay the commencement of the project. However, as part of its application, Henry County submitted bid tabulation sheets that may also be used in making a financial evaluation of the project. Therefore, the estimates are not necessary for reviewing the application, and good cause has been shown for granting the deviation.

The Commission, being otherwise sufficiently advised, HEREBY ORDERS that the motion to deviate from the filing requirements of Administrative Regulation 807 KAR 5:001, Sections 6 and 11(2)(c) is granted.

Done at Frankfort, Kentucky, this 11<sup>th</sup> day of September, 2002.

By the Commission

ATTEST:

  
Executive Director