

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE HENRY COUNTY)	
WATER DISTRICT NO. 2 FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	
CONSTRUCT AN IMPROVEMENTS PROJECT AND)	
TO ISSUE SECURITIES IN THE APPROXIMATE)	CASE NO.
PRINCIPAL AMOUNT OF \$900,000 FOR THE)	2002-00308
PURPOSE OF FINANCING SAID PROJECT)	
PURSUANT TO THE PROVISIONS OF KRS)	
278.020, 278.300 AND 807 KAR 5:001)	

O R D E R

On September 6, 2002, Henry County Water District No. 2 (Henry No. 2) applied for a Certificate of Public Convenience and Necessity (Certificate) to construct a \$3,299,000 waterworks improvement project and for approval of its proposed plan of financing.

The proposed waterworks improvement project, known as the Henry County Regional Water Project, consists of: (1) approximately 18 miles of 20-inch through 3-inch water transmission mains, (2) a booster pumping station rated at 300 gallons per minute (gpm) at 165 feet total dynamic head (TDH), (3) a new well with a vertical turbine pump rated at 1500 gpm at 544 feet TDH, and (4) telemetry equipment and related appurtenances. Also included, as a component of the proposed project, is the acquisition of the city of Campbellsburg s water system and the construction of a 500,000 gallon elevated water storage tank to be located in New Castle (New Castle Tank).

Henry No. 2 is upgrading its existing system to include larger mains, looping of dead end mains and the replacement of deteriorated mains. As agreed to by contract, the New Castle Tank will provide Henry No. 2 with an additional 300,000 gallons of water storage. The proposed project will increase flows and pressures to Henry No. 2 s service area and to its wholesale customers. The Division of Water of the Natural Resources and Environmental Protection Cabinet has approved the plans and specifications for the proposed improvements, which were prepared by Commonwealth Technology, Inc. of Lexington, Kentucky.

Henry No. 2 proposes to fund its proposed waterworks improvements project with: (1) a \$1,680,000 Community Development Block Grant to the Henry County Fiscal Court, (2) a Kentucky Infrastructure Authority grant in the amount of \$1,175,000, and (3) a Kentucky Rural Water Finance Corporation (KRWFC) loan of \$900,000 of which \$456,000 will go toward the construction of the New Castle Tank. The KRWFC loan will have a 16-year term with an effective variable interest rate of 3.32 to 4.84 percent per annum.

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 be performed and that a Certificate be granted.
2. The proposed construction consists of approximately 18 miles of 20-inch through 3-inch water transmission mains, a booster pumping station rated at 300 gpm at 165 feet TDH, a new well with a vertical turbine pump rated at 1500 gpm at 544 feet TDH, telemetry equipment and related appurtenances.

3. The proposed project is a regional effort to improve the overall quality of water for Henry No. 2, the city of Campbellsburg and the city of New Castle.

4. Henry No. 2 should obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

5. Any deviation from the construction or financing approved should be undertaken only with the prior approval of the Commission.

6. Henry No. 2 should furnish 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. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

7. Henry No. 2 should require construction to be inspected under the general supervision of a licensed professional engineer with Kentucky licensure, competent to practice 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. Henry No. 2 should file a copy of the as-built drawings and a certified statement that the construction has been satisfactory completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction herein.

9. Henry No. 2 should notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

10. The financing plan proposed by Henry No. 2 is for a lawful object within the corporate purpose of its utility operation, 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, is reasonably necessary and appropriate for such purpose, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Henry No. 2 is granted a Certificate to proceed with the proposed waterworks improvement project.

2. Henry No. 2 shall comply with the requirements contained in Findings 4 through 9 as if the same were individually so ordered.

3. The financing plan proposed by Henry No. 2 is approved.

4. Henry No. 2 shall, within 30 days of obtaining the KRWFC loan, file with the Commission a statement setting forth the date the loan is entered into, the actual interest rate, and the principal amount.

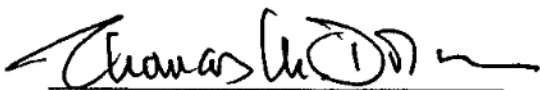
5. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

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 18th day of September, 2002.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Charles H. [unclear]", written over a horizontal line.

Executive Director