

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION BY LAKE VILLAGE)	
WATER ASSOCIATION, INC., FOR A)	
CERTIFICATE OF CONVENIENCE AND)	CASE NO.
NECESSITY FOR A COMMERCIAL)	2003-00060
DEBT FUNDED CONSTRUCTION)	
PROJECT IN BOYLE COUNTY)	

ORDER

On February 5, 2003, Lake Village Water Association, Inc. (Lake Village) applied to the Commission for a Certificate of Public Convenience and Necessity (Certificate) to construct a waterworks improvement project and to obtain Commission approval of Lake Village s proposed plan of financing. The total cost of the project is approximately \$238,496. The application did not meet the minimum filing requirements, but all deficiencies were cured and the application deemed filed as of March 21, 2003.

The proposed project includes the construction of approximately 23,889 linear feet of 6-inch and 3-inch water lines and will serve 16 potential new customers. The project will be located entirely in Boyle County and will consist of (i) a transmission line running from the Mercer-Boyle County line on Dry Branch Road south to connect with an existing transmission line at the corner of Bluegrass Pike and Locklin Lane; (ii) a cross-country line installed through the property of William Sparrow to connect to an existing line on Adams Lane eliminating a dead end line; and (iii) a water line running east along Gentry Lane. Plans and specifications for the proposed improvements prepared by Parrott, Ely and Hurt Engineers of Louisville, Kentucky, were approved on

October 8, 2002 by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

Lake Village proposes to fund its waterworks improvement project with a \$238,496 loan from the Farmers National Bank of Danville, Kentucky (Farmers Bank). The proposed Farmers Bank loan will have a 30-year term with a variable interest rate. Initially the rate will be 4.458 percent per annum.

As part of its application, Lake Village moves for a deviation from the provision of Administrative Regulation 807 KAR 5:001, Section 6, requiring that, [w]henver in these rules it is provided that a financial exhibit shall be annexed to the application, the said exhibit shall cover operations for a twelve (12) month period, said period ending not more than ninety (90) days prior to the date the application is filed. However, Section 14 of that regulation permits a deviation upon the showing of good cause.

In support of its request, Lake Village states that its accounting software has malfunctioned and Lake Village is unable to generate any reports, including income statements and balance sheets. To date, the software vendor has been unable to correct the problem. The water district s accountant is in the process of conducting the 2002 calendar year audit, but the audited financial statements are not available. Having considered Lake Village s requested deviation, the Commission has determined that good cause for granting the deviation has been presented, and that there is sufficient financial information in the record for it to render a decision regarding the proposed Farmers Bank loan.

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 23,889 linear feet of 6-inch and 3-inch water lines and will serve 16 potential new customers.

3. After allowances for fees, contingencies, and other indirect costs, the total project cost is approximately \$238,496.

4. Lake Village should obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

5. Lake Village should 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.

6. Lake Village should require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky licensure, competent 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. Lake Village should notify the Commission, in writing, one week prior to the start of construction and after 50 percent completion.

8. Lake Village's proposal to obtain the Farmers Bank loan, as described herein, to finance its proposed waterworks improvement project is for a lawful object within its corporate purpose, is necessary, appropriate for and consistent with the proper performance of its service to the public, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Lake Village's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.
2. Lake Village is granted a Certificate to proceed with the proposed waterworks improvement project.
3. Lake Village shall comply with the requirements contained in Findings 4 through 7 as if the same were individually so ordered.
4. Lake Village is authorized to borrow an amount not to exceed \$238,496 from the Farmers Bank at a variable interest rate.
5. Lake Village shall, within 30 days of executing the agreement for the proposed Farmers Bank loan, file with the Commission a statement setting forth the date of the loan, the actual initial interest rate, and the actual principal amount.

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 14th day of April, 2003.

By the Commission

ATTEST:


Executive Director