

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|  |   |            |
|--|---|------------|
| THE APPLICATION OF BUFFALO TRAIL WATER     | ) |            |
| ASSOCIATION OF SARDIS, KENTUCKY, FOR (1) A | ) |            |
| CERTIFICATE OF PUBLIC CONVENIENCE AND      | ) | CASE NO.   |
| NECESSITY; AND (2) APPROVAL OF THE         | ) | 2003-00128 |
| PROPOSED PLAN OF FINANCING SAID PROJECT    | ) |            |
| PURSUANT TO THE PROVISIONS OF KRS 278.023  | ) |            |

O R D E R

On April 2, 2003, Buffalo Trail Water Association ( Buffalo Trail ) submitted an application for a Certificate of Public Convenience and Necessity to construct and finance a \$1,875,000 waterworks improvement project. The project consists of the construction and the installation of approximately 6,000 linear feet of 8-inch, 73,800 linear feet of 6-inch, 134,000 linear feet of 4-inch, and 8,300 linear feet of 3-inch PVC water lines and their appurtenances, and the construction of a 150,000-gallon elevated water storage tank and appurtenances. This project will serve approximately 137 potential customers along the following roads: Brandywine, KY 539, Lowell Road Connection, Five Lick, Briley Ridge, KY 875, Drift Run, Blemont, Bee Lick, KY 62, KY 19, McDowell, Semm Wright, Riley Mill, and Jessie Moore. BTWA proposes to finance the construction of the project through:

- Farmer s Home Administration/Rural Development ( RD ) grant in the amount of \$350,000.
- RD loan in the amount of \$350,000 to be repaid over a period of 40 years with interest at the rate of 4.75 percent per annum.

- Kentucky Infrastructure Authority ( KIA ) Fund B grant in the amount of \$750,000.
- KIA 2004 Budget grant in the amount of \$375,000.
- Applicant contribution in the amount of \$50,000.

Buffalo Trail s application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the USDA 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 April 22, 2003, 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. Buffalo Trail is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Buffalo Trail s proposed plan of financing with RD is accepted.
3. Buffalo Trail is authorized to obtain a loan not to exceed \$350,000 from RD, to be repaid over a period of 40 years with interest at the rate of 4.75 percent per annum, or at such interest rate as may be prevailing at the time of loan closing.
4. Buffalo Trail 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. Buffalo Trail 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, Buffalo Trail shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the proposed water rates are sufficient to meet its operating expenses and annual debt service requirements.


7. Buffalo Trail 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 Administrative Regulation 807 KAR 5:066, Section 5(1), Buffalo Trail 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 6<sup>th</sup> day of May, 2003.

By the Commission

ATTEST:



Executive Director