

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE MOUNTAIN)	
WATER DISTRICT FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	
CONSTRUCT A SEWER IMPROVEMENTS)	
PROJECT AND TO ISSUE SECURITIES IN)	CASE NO.
THE APPROXIMATE AMOUNT OF \$226,780)	2003-00282
TO FINANCE A PORTION OF SAID PROJECT)	
PURSUANT TO KRS 278.020, 278.300 AND)	
807 KAR 5:001)	

ORDER

On September 11, 2003, Mountain Water District (Mountain District) applied to the Commission for a Certificate of Public Convenience and Necessity (Certificate) to construct a wastewater improvement project and to obtain Commission approval of its proposed plan of financing. The total cost of the construction project is approximately \$729,158.

The proposed wastewater improvement project includes installation of approximately 2,250 linear feet of 12-inch through 4-inch gravity sewer pipe and 3.5 miles of 6-inch through 1.25-inch force mains, 80 residential grinder lift stations, a residential duplex grinder lift station, a duplex lift station rated at 168 gpm at 63 feet TDH named Turkey Creek, a duplex lift station rated at 168 gpm at 56.9 feet TDH named Taylor Fork and related appurtenances. The project will allow Mountain District to provide sanitary sewer service to approximately 80 new customers. Plans and specifications for the proposed improvements prepared by Summit Engineering Inc. of

Pikeville, Kentucky, were approved on February 3, 2003 by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

Mountain District proposes to fund its wastewater improvement project with a \$234,664 PRIDE grant, a Kentucky Infrastructure Authority (KIA) State Revolving Loan in the amount of \$226,776 at 1 percent per annum for 20 years, a Kentucky Local Government Economic Development Assistance grant in the amount of \$266,718, and a contribution from the applicant in the amount of \$1,000.

As part of its application, Mountain District moves for a deviation from the provision of Administrative Regulation 807 KAR 5:001, Section 6, requiring that, [w]hensoever 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, Mountain District states that there has been no change that is material in nature in the financial condition or operation of Mountain District since December 31, 2001. In its application, Mountain District uses the financial data for the 12-month period ending December 31, 2001, the most recent published financial data available. According to Mountain District, its computer system cannot generate the required financial data in a timely and efficient manner. Requiring it to generate updated financial statements, Mountain District claims, would cause it to lose its favorable bids and favorable interest rates. Having considered Mountain District'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 KIA 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 the installation of approximately 2,250 linear feet of 12-inch through 4-inch gravity sewer pipe and 3.5 miles of 6-inch through 1.25-inch force mains; 80 residential grinder lift stations; a residential duplex grinder lift station; a duplex lift station rated at 168 gpm at 63 feet TDH that is named Turkey Creek; a duplex lift station rated at 168 gpm at 56.9 feet TDH that is named Taylor Fork; and related appurtenances.

3. After allowances for fees, contingencies, and other indirect costs, the total project cost is approximately \$729,158.

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

5. Mountain District 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. Mountain District 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. Mountain District should notify the Commission, in writing, one week prior to the start of construction and after 50 percent completion.

8. Mountain District's proposal to obtain the KIA loan as described herein to finance its proposed wastewater 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. Mountain District's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.

2. Mountain District is granted a Certificate to proceed with the proposed wastewater improvement project.

3. Mountain District shall comply with the requirements contained in Findings 4 through 7 as if the same were individually so ordered.

4. Mountain District is authorized to borrow an amount not to exceed \$226,776 from the KIA at 1 percent per annum not to exceed 20 years.

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 6th day of November, 2003.

By the Commission

ATTEST:

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

Executive Director