

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE WARREN)	
COUNTY WATER DISTRICT FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY TO CONSTRUCT AN)	
IMPROVEMENTS PROJECT AND TO ISSUE)	CASE NO.
SECURITIES IN THE APPROXIMATE)	2003-00354
AMOUNT OF \$501,000 FOR THE PURPOSE)	
OF FINANCING SAID PROJECT PURSUANT)	
TO KRS 278.020 AND 807 KAR 5:001)	

ORDER

On September 15, 2003, Warren County Water District (Warren District) applied to the Commission for a Certificate of Public Convenience and Necessity (Certificate) to construct a water and wastewater improvement project and to obtain Commission approval of its proposed plan of financing. The total cost of the construction project is approximately \$501,000.

The proposed water and wastewater improvement project includes the installation of approximately 3,000 linear feet of 12-inch through 4-inch water lines, approximately 6,000 linear feet of 18-inch and 12-inch gravity sewer mains, and related appurtenances. The project will allow Warren District to provide water and sanitary sewer service to the South Central Kentucky Industrial Park. Plans and specifications for the proposed water and sewer improvements, prepared by Alan Vilines, P.E., engineer with Warren District, were approved on August 4, 2003 and August 28, 2003, respectively, by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

Warren District proposes to fund its improvement project with a Kentucky Rural Water Finance Corporation (KRWFC) loan in the amount of \$501,000. The proposed terms of the KRWFC loan are stated to be 23 years with annual coupon interest rates of between 1.43 percent and 5.44 percent per annum. The final terms of the loan are subject to change based on the market conditions at the time of issuance. Warren District, the city of Bowling Green, Kentucky (City) and the Bowling Green Economic Development Authority (Authority) have entered into an agreement, whereby the city has agreed to pay 45.71 percent of the debt service on the sewer portion of the KRWFC loan and the Authority has agreed to pay 100 percent of the debt service on the water portion of the KRWFC loan and 54.29 percent of the debt service on the sewer portion of the KRWFC loan.

As part of its application, Warren District 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, Warren District states that there has been no change that is material in nature in the financial condition or operation of Warren District since December 31, 2002. In its application, Warren District uses the financial data for the 12-month period ending December 31, 2002, the most recent published financial data available. According to Warren District, its computer system cannot generate the required financial data in a timely and efficient manner. Requiring it to generate

updated financial statements, Warren District claims, would cause it to lose its favorable construction bids. Having considered Warren 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 KRWFC 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 3,000 linear feet of 12-inch through 4-inch water lines, approximately 6,000 linear feet of 18-inch and 12-inch gravity sewer mains, and related appurtenances. The project will allow Warren District to provide water and sanitary sewer service to the South Central Kentucky Industrial Park. After allowances for fees, contingencies, and other indirect costs, the total project cost is approximately \$501,000.
3. Warren District should obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
4. Warren 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.
5. Warren 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.

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

7. The final terms of the loan shall not differ materially from those stated in the application.

8. Warren District's proposal to obtain the KRWFC 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. Warren District's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.

2. Warren District is granted a Certificate to construct the proposed water and wastewater improvement project as described in the plans and specifications.

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

4. Warren District is authorized to borrow an amount not to exceed \$501,000 from the KRWFC and shall notify the Commission of the final terms of the loan 30 days after issuance.

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 13th day of November, 2003.

By the Commission

ATTEST:


Executive Director