

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE ADAIR COUNTY)	
WATER DISTRICT FOR (1) A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY)	
AUTHORIZING AND PERMITTING)	
CONSTRUCTION OF WATER DISTRIBUTION)	
SYSTEM IMPROVEMENTS, CONSISTING OF THE)	CASE NO.
CONSTRUCTION OF EXTENSIONS, ADDITIONS)	2003-00364
AND IMPROVEMENTS TO THE DISTRICT'S)	
WATER SYSTEM AND (2) THE APPROVAL OF THE)	
PROPOSED PLAN OF FINANCING SAID)	
IMPROVEMENTS)	

O R D E R

On September 24, 2003, Adair County Water District (Adair District) submitted an application for a Certificate of Public Convenience and Necessity to construct and finance a \$2,883,000 waterworks improvement project. The sum of \$2,883,000 is based upon Amendment No. 1 of October 28, 2003 to the original Letter of Conditions from the United States Department of Agriculture, Rural Development (RD) dated February 10, 2003 and submitted with the application. Adair District completed the bidding process and the cost of Phase I is \$1,426,000. Phase II bidding will not be completed for several months. The appropriate amount of funds available for Phase II will be approximately \$1,457,000.

The project consists of: (a) Phase I which will provide a transmission line to connect the Adair District to the City of Campbellville's water system consisting of 27,000 linear feet of 18-inch water line, 3,100 feet of 8-inch water line, and a booster pump station that will connect to the 12-inch transmission main recently constructed.

Phase I was bid and accepted by Adair District in the amount of \$1,426,000; and (b) Phase II, which will provide water to 113 new customers and which consists of 150,000 feet of 4-inch and 3-inch water lines, and 24,000 feet of 8-inch water line that will replace an old deteriorated water main. Phase II will be bid and accepted from the balance of the funds remaining as explained above.

Adair District proposes to finance the construction of Phase I and Phase II through an RD loan to issue water revenue bonds, Series 2004 in the amount of \$1,238,000, an RD grant in the amount of \$900,000 and a Kentucky Infrastructure Authority 2020 Grant in the amount of \$745,000.

Adair District's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the RD 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 October 13, 2003, except for documents required to be filed in connection with Phase II, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject relevant portions of this agreement. However, as filing requirements for Phase II have not been met, this certificate granted herein shall not be construed as any approval of that portion of the project.

IT IS THEREFORE ORDERED that:

1. Adair District is granted a Certificate of Public Convenience and Necessity for the proposed construction project as described in the Final Engineering Report appended to the application, Phase I.

2. Adair District's proposed plan of financing for Phase I and Phase II is accepted.

3. Adair District 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 for Phase I.

4. Adair District shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point for Phase I.

5. Three years from the effective date of this Order, Adair District 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.

6. Adair District 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), Adair District shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

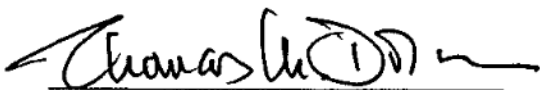
7. Adair District shall make application with the Commission for a Certificate of Public Convenience and Necessity when approval is necessary for Phase II of the project.

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 10th 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

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