

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BATH COUNTY WATER	)	
DISTRICT OF BATH COUNTY, KENTUCKY, FOR A	)	
CERTIFICATE OF PUBLIC CONVENIENCE AND	)	CASE NO.
NECESSITY TO CONSTRUCT AND FINANCE	)	2004-00124
PURSUANT TO KRS 278.023	)	

O R D E R

On April 7, 2004, Bath County Water District ("Bath District") submitted an application for a Certificate of Public Convenience and Necessity to construct and finance a \$2,253,000 waterworks improvement project. The project consists of the construction and installation of approximately 12.5 miles of 12-inch and 8-inch transmission and distribution mains and appurtenances, upgrades to pumping facilities (Contract 16), and the construction of a 500,000-gallon water storage tank (Contract 17).

Bath District proposes to finance the construction of the project through: the issuance of \$500,000 of its Water Revenue Bonds, a grant from the United States Department of Agriculture, acting through Rural Development ("RD"), in the amount of \$453,000, and a Kentucky State 2020 Program grant in the amount of \$1,300,000. Bath District has a commitment from RD to purchase said \$500,000 of bonds maturing over a 40-year period, at an interest rate not exceeding 4.5 percent per annum.

Bath District'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 7, 2004, 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. Bath District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. Bath District's proposed plan of financing is accepted.

3. Bath District is authorized to issue Water System Revenue Bonds in the amount of \$500,000 maturing over 40 years and at an interest rate not exceeding 4.5 percent per annum.

4. The proceeds from the revenue bond issuance shall be used only for the purposes specified in the utility's application.

5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, the utility may use such surplus to construct additional plant facility if RD approves of the use and the additional construction will not result in a change in the utility's rates for service. The utility shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Bath 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.

7. Bath District shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

8. Three years from the effective date of this Order, Bath 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.

9. Bath 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), Bath District 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 on the part of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 3<sup>rd</sup> day of May, 2004.

By the Commission

ATTEST:

  
Executive Director

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