

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATON OF WEST McCRACKEN COUNTY)	
WATER DISTRICT FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY AND)	CASE NO. 2004-00402
APPROVAL OF FINANCING FOR ITS 2004)	
WATER MAIN EXPANSION PROJECT)	

ORDER

On October 4, 2004, West McCracken County Water District (“West McCracken”) tendered its application for a Certificate of Public Convenience and Necessity to extend its water mains and for authority to execute a 20-year loan agreement with the Kentucky Rural Water Finance Corporation (“KRWFC”) in the principal amount of \$900,000. On November 1, 2004, it supplemented its application to cure certain deficiencies in its original application.¹

Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. West McCracken is a water district organized pursuant to KRS Chapter 74.

¹ When tendering its application, West McCracken requested permission to deviate from the filing requirements set forth in Administrative Regulation 807 KAR 5:001, Section 11(2)(a) and Section 6. We address that motion in this Order.

2. West McCracken owns and operates facilities used to distribute water for compensation to approximately 1,267 customers in the West portion of McCracken County, Kentucky.²

3. West McCracken proposes to install approximately 8,951 linear feet of 10-inch polyvinyl chloride (“PVC”) water main, 74,234 linear feet of 6-inch PVC water main, 408 linear feet of 6-inch ductile iron water main, and 45 hydrants.

4. The proposed water mains will supply water to areas that West McCracken does not currently serve and will add approximately 76 new customers to West McCracken’s distribution system.³

5. Estimated total cost of the proposed project, including construction costs, contingencies, and engineering and inspection fees, is \$836,700.

6. Civil Design Group, Inc., of Paducah, Kentucky, prepared the plans and specifications for the proposed project.

7. The Division of Water of the Kentucky Environmental and Public Protection Cabinet has approved the plans and specifications for the proposed project.⁴

² Annual Report of West McCracken County Water District to Public Service Commission for the Year Ended December 31, 2003 at 27.

³ The estimates of the number of potential customers that the proposed water mains may serve vary. The Kentucky Rural Water Association estimated that the proposed water mains could serve a total of 226 customers and noted that 97 of these potential customers had actually petitioned the water district for water service. Civil Design Group, Inc. estimated that the proposed project would serve 164 residences.

⁴ On September 21, 2004, the Division of Water granted its approval for the installation of approximately 12,063 feet of 10-inch PVC water main, 74,234 linear feet of 6-inch PVC water main, and 408 linear feet of 6-inch ductile iron water main. Letter of Donna S. Marlin, Director of Drinking Water Branch, Division of Water, to William A. Tanner, Manager, West McCracken County Water District (Sept. 21, 2004). On September 28, 2004, West McCracken’s Board of Commissioners authorized changes to the proposed project.

8. The proposed project will not compete or conflict with the facilities of other jurisdictional utilities operating in the same area.

9. The proposed project will not result in the wasteful duplication of utility facilities.

10. The public convenience and necessity require the proposed project.

11. West McCracken proposes to finance the proposed project with the proceeds of a 20-year loan of \$900,000 from KRWFC. Interest rates on the proposed loan will vary from 3.06 to 4.56 percent per annum.

12. West McCracken proposes to use approximately \$818,000 of the proceeds from the proposed loan from KRWFC to finance the proposed project.

13. West McCracken proposes to use the remaining \$82,000 KRWFC loan proceeds to refund West McCracken Water District Waterworks Revenue Bonds of 1967 ("1967 Revenue Bonds"). Approximately \$118,000 of the 1967 Revenue Bond's original \$745,000 principal remains outstanding. West McCracken estimates that the refunding will result in a gross savings of \$42,153 and a net present value savings of \$36,423.

14. West McCracken's proposed loan agreement with KRWFC 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, will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

15. West McCracken has moved for permission to deviate from Administrative Regulation 807 KAR 5:001, Section 11(2)(a) and Section 6, which requires that an application for authorization to issue evidences of indebtedness include a financial exhibit covering the applicant's operations for a 12-month period ending not more than 90 days

prior to the filing of the application. West McCracken has submitted a financial exhibit based upon the 12-month period ending December 31, 2003.

16. Good cause exists to grant West McCracken's motion for deviation. No material change in West McCracken's financial condition or operation has occurred since December 31, 2003. The record contains sufficient financial information to render a decision regarding West McCracken's application. Given the volatility of the present financial markets, the potential savings of the proposed transaction outweigh the risks inherent in any delay necessary to prepare a more current financial exhibit.

IT IS THEREFORE ORDERED that:

1. West McCracken is granted permission to deviate from Administrative Regulation 807 KAR 5:001, Section 11(2)(a) and Section 6.

2. West McCracken's application shall be considered filed as of November 1, 2004.

3. West McCracken is granted a Certificate of Public Convenience and Necessity to proceed with the proposed water main extension project as set forth in the plans and specifications of record herein.

4. West McCracken is authorized to borrow an amount not to exceed \$900,000 from the KRWFC at a variable interest rate.

5. West McCracken is authorized to obtain the KRWFC loan for the purpose of financing its proposed water main extension project and refinancing its 1967 Revenue Bonds, but only under such terms and conditions that will produce both positive gross savings and net present value savings from the refinancing.

6. If the actual terms and conditions of the KRWFC loan differ from those set forth in the application, West McCracken shall, within 30 days of obtaining the loan

authorized in this proceeding, file with the Commission amortization schedules and workpapers showing the actual gross savings and net present value savings that result from the refinancing.

7. West McCracken shall, within 30 days of obtaining the KRWFC loan authorized herein, file with the Commission a statement in this proceeding setting forth the date the KRWFC loan is executed, the actual interest rate(s), and the principal amount.

8. The proceeds from the KRWFC loan shall be used only for the lawful purposes specified in West McCracken's application.

9. West McCracken shall obtain approval from the Commission prior to performing any additional construction not expressly authorized within this Order.

10. Any deviation from the construction approved herein shall be undertaken only with the prior approval of the Commission.

11. West McCracken shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

12. West McCracken shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration 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.

13. West McCracken 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.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 20th day of December, 2004.

By the Commission

ATTEST:


Executive Director

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