

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER)
DISTRICT NO. 1 FOR THE ISSUANCE OF A) CASE NO. 2004-00453
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY WITH FINANCING)

ORDER

On November 19, 2004, Hardin County Water District No. 1 ("Hardin District No. 1") applied for a Certificate of Public Convenience and Necessity to construct a \$6,564,370 waterworks project and for authority to issue \$7,700,000 of revenue bonds to finance this project and refinance a variable rate loan. Hardin District No. 1 was notified on November 29, 2004 that the filing was deficient. Because this application failed to comply with 807 KAR 5:001, Section 2, the Commission did not accept it for filing until December 17, 2004, after Hardin District No. 1 cured the application's deficiencies.

The proposed project involves: (1) the construction of approximately 40 miles of water line extensions; (2) the construction of a new 218,000-gallon elevated water storage tank; (3) the rebuilding of an existing pump station; (4) the installation of control valves; (5) the decommissioning of a ground storage tank and two booster pump stations; and (6) conversion to Automated Meter Reading ("AMR") using radio read technology.

Hardin District No. 1 estimates that 370 households will be initially served by the proposed extension. Hardin District No. 1 further states that the new tank will allow the abandonment of a 24-year old ground storage tank that does not benefit the system and cannot be used due to its elevation. The rebuilt pump station will provide a redundant supply to the south end of Hardin District No. 1's service area from the Ft. Knox interconnect when the water plant is not operating, and the control valves will allow for pressure zone isolation.

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

1. Hardin District No. 1 is a water district organized pursuant to KRS Chapter 74.

2. Hardin District No. 1 owns and operates facilities used to distribute water for compensation to approximately 9,166 customers in Breckinridge, Hardin, and Meade counties, Kentucky.

3. Hardin District No. 1 proposes to install approximately 40 miles of 6-inch through 12-inch water mains, construct a 218,000-gallon elevated water storage tank, rebuild an existing pump station, install control valves, decommission a ground storage tank and two pump stations, and convert to AMR using radio read technology.

4. The proposed water main extension will supply water to areas that Hardin District No. 1 does not currently serve and will add approximately 370 new customers to Hardin District No. 1's distribution system.

5. Estimated total cost of the proposed project, including construction cost, contingencies, engineering and inspection fees, and the retiring of variable-rate debt is \$9,103,000.

6. Quest Engineers, Inc. of Louisville, 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.

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. Hardin District No. 1 proposes to finance the project through the sale of approximately \$7,700,000 of tax-exempt, private-sector, fixed-rate 20-year revenue bonds at an interest rate of approximately 4.5 percent per annum, Tobacco Settlement funds of \$700,000, and internal funds of \$904,370.

12. Hardin District No. 1 proposes to use \$2,740,000 of the bond proceeds to refinance current variable rate debt. This refinancing will not result in immediate interest savings, but will protect Hardin District No. 1 from future fluctuations in variable interest rates.

13. The proposed issuance of 20-year revenue bonds is for a lawful object within Hardin District No. 1's corporate purposes, is necessary and appropriate for and consistent with Hardin District No. 1's proper performance of its service to the public, and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Hardin District No. 1's application shall be considered filed as of December 17, 2004.

2. Hardin District No. 1 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.

3. Hardin District No. 1 is authorized to issue \$7,700,000 of 20-year revenue bonds at an interest rate not to exceed 4.5 percent per annum.

4. Hardin District No. 1 shall use the proceeds of the proposed bond issuance only for the lawful purposes set forth in its application.

5. Hardin District No. 1 shall obtain approval from the Commission prior to performing any additional construction not expressly authorized within this Order.

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

7. Hardin District No. 1 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.

8. Hardin District No. 1 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.

9. Hardin District No. 1 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 19th day of January, 2005.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and flourishes, positioned above a horizontal line.

Executive Director