

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE BIG SANDY WATER)
DISTRICT FOR AN ORDER APPROVING THE) CASE NO. 2007-00014
ISSUANCE OF SECURITIES PURSUANT TO)
KRS 278.300)

ORDER

Big Sandy Water District (“Big Sandy”) has applied for authorization to borrow \$935,000 from the Kentucky Rural Water Finance Corporation (“KRWFC”) for, inter alia, the retirement of an existing note and the acquisition of radio read meters, billing equipment, and computer software. It has further applied for a Certificate of Public Convenience and Necessity for the acquisition and installation of the radio read meters, if KRS 278.020(1) requires the issuance of such certificate.

Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:¹

1. Big Sandy, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water to the public for compensation in Boyd, Carter, and Lawrence counties, Kentucky.

¹ Big Sandy tendered its application to the Commission on January 9, 2007. Finding that the application did not comply with Administrative Regulation 807 KAR 5:001, the Commission’s Executive Director refused to accept the application for filing purposes. On February 1 and 2, 2007, Big Sandy supplemented its application to correct deficiencies that the Executive Director had identified.

2. Big Sandy currently provides water service to approximately 3,888 customers.²

3. Big Sandy currently has net utility plant of \$11,538,283.³

4. Big Sandy proposes to purchase approximately 4,000 meters at an estimated cost of \$543,050.

5. KRS 278.020(1) provides in pertinent part:

No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any of the services enumerated in KRS 278.010, except retail electric suppliers for service connections to electric-consuming facilities located within its certified territory and ordinary extensions of existing systems in the usual course of business, until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction.

6. Administrative Regulation 807 KAR 5:001, Section 9, provides:

No certificate of public convenience and necessity will be required for extensions that do not create wasteful duplication of plant, equipment, property or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general area in which the utility renders service or contiguous thereto, and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

² Annual Report of Big Sandy Water District to the Public Service Commission for the Calendar Year Ended December 31, 2005 at 27.

³ Id. at 7.

7. Large scale replacement of existing metering systems with automated meter reading equipment constitutes an extension of service that may require a Certificate of Public Convenience and Necessity.⁴

8. As Big Sandy's replacement of existing meters with radio read metering equipment is financed through the issuance of evidences of indebtedness and the issuance of such indebtedness materially affects Big Sandy's financial condition, KRS 278.020(1) requires Big Sandy to obtain a Certificate of Public Convenience prior to the proposed installation of such equipment.

9. Big Sandy estimates that the replacement of existing meters with radio read meters will result in a reduction of \$57,000 in annual meter reading expenses.

10. Use of radio read meters will enhance Big Sandy's ability to monitor water loss and locate water leaks and may reduce its water loss expense.

11. The proposed replacement of all existing meters with radio read meters will not result in the wasteful duplication of existing utility facilities.

12. The public convenience and necessity require the proposed purchase and installation of the radio read meters.

13. Big Sandy proposes to borrow \$935,000 from KRWFC through KRWFC's Flexible Term Program. Under the terms of the proposed loan, Big Sandy will pay the loan over a 20-year period at interest rates ranging from 3.85 to 4.3 percent.

14. Big Sandy proposes to use \$543,050 of the loan proceeds for the acquisition of approximately 4,000 radio read meters; \$321,688 for the retirement of an existing note whose proceeds financed the construction of certain water distribution

⁴ Case No. 2006-00314, The Application of Owen Electric Cooperative, Inc. for an Order Issuing a Certificate of Public Convenience and Necessity (Ky. PSC Oct. 31, 2006).

mains in Lawrence County, Kentucky;⁵ \$35,000 for the acquisition of billing equipment and computer software; and \$35,262 for loan financing costs.

15. Big Sandy's execution of the loan agreement is for a lawful object within Big Sandy's corporate purposes, is necessary and appropriate for and consistent with the proper performance by Big Sandy of its service to the public, will not impair Big Sandy's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

16. Big Sandy requests authority to deviate from Administrative Regulation 807 KAR 5:001, Section 11(2)(a), which requires that an application for issuance of evidences of indebtedness contain a financial exhibit that "cover[s] operations for a twelve (12) month period, said period ending not more than ninety (90) days prior to the date the application is filed,"⁶ and permit Big Sandy to file a financial exhibit based upon operations for the 12-month period ending December 31, 2005.

17. Good cause exists to permit Big Sandy to deviate from Administrative Regulation 807 KAR 5:001, Section 11(2)(a). No material change in Big Sandy's financial condition has occurred between December 31, 2005 and the filing of Big Sandy's application. Moreover, at the time of filing its application, Big Sandy lacked the capability to generate current financial reports without great expense in time and other resources.

⁵ As the cost of this water distribution main extension did not exceed \$500,000, Big Sandy was not required to obtain a Certificate of Public Convenience and Necessity. See 2005 Ky. Acts Chapter 173; 2006 Ky. Acts Chapter 252.

⁶ See 807 KAR 5:001, Sections 6 and 11(2)(a).

IT IS THEREFORE ORDERED that:

1. Big Sandy is authorized to deviate from the provisions of Administrative Regulation 807 KAR 5:001, Section 11(2)(a).
2. Big Sandy's application shall be considered filed as of February 2, 2007.
3. Big Sandy is granted a Certificate of Public Convenience and Necessity to proceed with the proposed replacement of its existing metering system with radio read metering equipment as set forth in its application.
4. Big Sandy is authorized to enter into a loan agreement with KRWFC for an amount not to exceed \$935,000 with a term of 20 years at an interest rate ranging from 3.85 percent to 4.3 percent per annum.
5. Within 30 days of the execution of its loan agreement with KRWFC, Big Sandy shall advise the Commission in writing of the final terms of the loan agreement.
6. The proceeds of Big Sandy's loan agreement with KRWFC shall be used only for the lawful purposes specified in Big Sandy's application.

Nothing contained herein shall be deemed a warranty or guarantee of the Commonwealth of Kentucky, or any agency thereof, of the evidences of indebtedness authorized herein.

Done at Frankfort, Kentucky, this 3rd day of April, 2007.

By the Commission

ATTEST:



Executive Director

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