

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE SOUTH WOODFORD)	
WATER DISTRICT FOR A CERTIFICATE OF)	
PUBLIC CONVENIENCE AND NECESSITY TO)	CASE NO.
CONSTRUCT AND FINANCE A WATER)	2007-00033
IMPROVEMENTS PROJECT PURSUANT TO)	
KRS 278.020 AND 278.300)	

O R D E R

On January 23, 2007, South Woodford Water District ("South Woodford") tendered its application for a Certificate of Public Convenience and Necessity for a Phase IV water improvements project at an approximate total project cost of \$1,522,100 and for authority to execute a 15-year loan agreement with the Kentucky Rural Water Finance Corporation ("KRWFC") in the principal amount of \$490,000. Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. South Woodford proposes to construct approximately 1,200 feet of 6-inch DI and 36,200 feet of 4-inch PVC water mains, a booster pumping station rated at 225 gallons per minute with a total dynamic head of 150 feet, a 250,000 gallon elevated water storage tank and to install a SCADA system.
2. The proposed Phase IV project will provide necessary upgrades to South Woodford's existing distribution system and the new water mains will supply water to areas that South Woodford does not currently serve and will add approximately 36 new customers to South Woodford's distribution system.

3. The estimated total cost of the proposed project, including construction cost, contingencies, and engineering and inspection fees, is \$1,522,100.

4. HMB Professional Engineers, Inc., of Frankfort, Kentucky, prepared the plans and specifications for the proposed project.

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

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

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

8. Public convenience and necessity require the proposed project.

9. The proposed project will be funded from the proceeds of a Tobacco Settlement Fund grant in the amount of \$550,000, an Environmental Protection Agency grant in the amount of \$482,100 and a loan in the approximate amount of \$490,000 from KRWFC.

10. The proposed KRWFC loan project will have a 15-year term and will have interest rates that will vary from 4 percent to 4.375 percent per annum.

11. South Woodford's proposed loan agreement with KRWFC is for lawful objects 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.

12. South Woodford has moved for a deviation from Administrative Regulation 807 KAR 5:001, Section 11(2)(a) and Section 6, which require 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. South Woodford has submitted a financial exhibit based upon the 12-month period ending December 31, 2005.

13. Good cause exists to grant South Woodford's motion for deviation. No material change in South Woodford's financial condition or operation has occurred since December 31, 2005. The record contains sufficient financial information to render a decision regarding South Woodford'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. South Woodford is granted permission to deviate from Administrative Regulation 807 KAR 5:001, Section 11(2)(a) and Section 6.

2. South Woodford is granted a Certificate of Public Convenience and Necessity to proceed with the proposed Phase IV water main extension project as set forth in the plans and specifications of record herein.

3. South Woodford is authorized to borrow an amount not to exceed \$490,000 from KRWFC maturing over a 15-year period with incremental rates of interest ranging from 4 percent to 4.375 percent per annum. South Woodford shall notify the Commission of the final terms of the loan within 30 days after issuance.

4. The proceeds from the KRWFC loan shall be used only for the lawful purposes specified in South Woodford's application.

5. South Woodford 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. South Woodford 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. South Woodford 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. South Woodford 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 a finding of value of the securities or the financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 23rd day of March, 2007.

By the Commission

ATTEST:

Robert A. Amato for the
Executive Director

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