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DAMON R. TALLEY

ATTORNEY AT LAW

November 30, 2004

Ms. Beth O'Donnell
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

Case 2004-00484

RECEIVED

DEC 01 2004

PUBLIC SERVICE
COMMISSION

RE: Hardin County Water District No. 2

Dear Ms. O'Donnell:

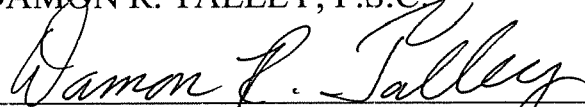
Enclosed are the original and ten (10) copies of the Application of the Hardin County Water District No. 2

The Application is being filed pursuant to the provisions of KRS 278.023 and 807 KAR 5:069 which requires Commission approval within 30 days. **No rate increase will be required.**

Should you need any additional information, please let me know.

Yours truly,

DAMON R. TALLEY, P.S.C.



DAMON R. TALLEY, ATTORNEY FOR
HARDIN COUNTY WATER DISTRICT
NO. 2

DRT/ln

Enclosures

cc: Hardin County Water District No. 2

COMMONWEALTH OF KENTUCKY

RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION

DEC 0 1 2004

In the Matter of:

PUBLIC SERVICE
COMMISSION

THE APPLICATION OF HARDIN COUNTY)	
WATER DISTRICT NO. 2, HARDIN)	
AND LARUE COUNTIES, KENTUCKY,)	
(1) FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY)	
AUTHORIZING CONSTRUCTION OF)	
MAJOR ADDITIONS AND)	
IMPROVEMENTS TO ITS WATER SYSTEM;)	CASE NO.
AND (2) SEEKING APPROVAL OF)	2004- <u>00484</u>
THE ISSUANCE OF CERTAIN SECURITIES,)	
PURSUANT TO THE PROVISIONS OF)	
KRS 278.023 AND 807 KAR 5:069.)	

** *** ***** **

The Applicant, **HARDIN COUNTY WATER DISTRICT, NO. 2**, (the "District"), situated in Hardin and LaRue Counties, Kentucky, acting by and through its Commission, respectfully tenders this Application and requests that the Public Service Commission of Kentucky (the "PSC") issue its Order, pursuant to KRS 278.023 and 807 KAR 5:069, (1) issuing a Certificate of Public Convenience and Necessity authorizing the District to construct major additions and improvements to its water system (the "Project") for the purpose of furnishing an adequate supply of pure and potable water for domestic, agricultural and commercial use in the area

served by the District; and (2) approving the issuance of certain securities by the District. **No rate increase will be necessary.** In support of this Application, and in conformity with the regulations of the PSC, the District states as follows:

1. The District was established by Order of the County Court of Hardin County, on June 23, 1965, pursuant to the provisions of KRS Chapter 74. The District is now, and has been since its inception, regulated by the PSC. All records and proceedings of the PSC with reference to the District are incorporated into this Application by reference.

2. The mailing address of the District is:

Hardin County Water District No. 2
360 Ring Road
P.O. Box 970
Elizabethtown, Kentucky 42702

ATTENTION: Michael L. Bell, Chairman
TELEPHONE: (270) 737-1056

3. The governing body of the District is its Commission. In conformity with KRS 74.020(1)(a) the County Judge Executive of Hardin County has entered Orders appointing the present Commissioners, who are residents of the District. The present members of the Commission, and their respective offices, are as follows: Michael L. Bell, Chairman; Coleman Crady, Secretary-Treasurer; Garland Carter, Commissioner; John Effinger,

Commissioner; and Cordell Tabb, Commissioner. Each of the five (5) Commissioners has qualified for office.

4. The Project consists of the installation of approximately 56 miles of 4" to 8" water distribution lines and appurtenances. The Project will provide water service to approximately 330 new customers. The Project is more fully described in plans, specifications and reports prepared on behalf of the District by Kenvirons, Inc., Frankfort, Kentucky, and on file in the office of the District.

5. The total Project cost is \$5,386,000. The District proposes to finance the construction of the Project by (a) issuance of its water system revenue bonds in the amount of \$2,990,000 (the "Series 2005A Bonds") to the United States of America, acting by and through the U.S. Department of Agriculture (the "USDA"), (b) a grant from USDA, Rural Development ("RD") in the amount of \$300,000, (c) a grant from the Department of Housing and Urban Development Community Development Block Grant Program ("HUD-CDBG") in the amount of \$1,000,000, (d) a grant from Tobacco Settlement proceeds in the amount of \$1,000,000 and (e) an applicant contribution in the amount of \$96,000. The financing sources are summarized as follows:

USDA - RD Loan	\$2,990,000
USDA - RD Grant	300,000
HUD - CDBG Grant	1,000,000
Tobacco Settlement Grant	1,000,000
Applicant Contribution	<u>96,000</u>
Total	\$5,386,000

6. Construction of the proposed new facilities will be instituted and funded initially from the proceeds of an interim financing loan to be obtained from the Kentucky Rural Water Finance Corporation at an interest rate of 3.35% per annum.

7. The District has entered into an agreement with the USDA which sets forth the specific terms and conditions for obtaining the loan in the principal amount of \$2,990,000, which will be represented by the Series 2005A Bonds and the RD Grant in the amount of \$300,000. The Letter of Conditions dated April 6, 2004, which contains these terms and conditions, is attached hereto and incorporated herein by reference as **EXHIBIT 1**.

8. On November 10, 2004, the USDA amended the original Letter of Conditions to revise the total cost of the Project and to provide for the Tobacco Settlement grant awarded to the District. The amended Letter of Conditions is attached hereto and incorporated herein by reference as **EXHIBIT 2**.

9. The District's consulting engineers, Kenvirons, Inc., Frankfort, Kentucky (the "Engineers"), have prepared a Preliminary Engineering Report and a Final Engineering Report, as well as detailed plans and specifications, for the construction and installation of the Project. The Preliminary Engineering Report and the Final Engineering Report are attached hereto and incorporated herein by reference as **EXHIBITS 3 and 4**. **EXHIBITS 3 and 4** contain, among other things, a description of the Project, Project maps showing the location and routes of the various water lines included in the Project, cost figures and other pertinent financial data and projections, data documenting that no rate increase will be necessary, and proposed plans for the financing of the Project.

10. It is the opinion of the Commission of the District that the public health, safety and general welfare of the citizens and inhabitants of the area served by the District will be promoted and served by the construction of the Project and the proposed method of financing the Project.

11. The District has caused public advertising to be made according to law soliciting competitive bids for the construction and installation of the Project; has received, opened and considered the construction bids; and has received data prepared by the Engineers showing

the bids received and the recommendation of the Engineers with respect thereto. The Engineers' bid tabulations and best bid recommendations are attached hereto and incorporated herein by reference as **EXHIBITS 5 and 6.**

12. The USDA has approved the District's proposed award of the best bid as evidenced by the Letter of Concurrence in Bid Award dated November 24, 2004, which is attached hereto and incorporated herein by reference as **EXHIBIT 7.**

13. Attached hereto and incorporated herein by reference as **EXHIBIT 8** is a certified statement from the District's Chairman, based upon the statements, representations, and professional opinions of the Engineers for the District, concerning the following:

A. The proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 4 (3) and (4); Section 5 (1); Sections 6 and 7; Section 8 (1) through (3); Section 9 (1) and Section 10;

B. All other state approvals or permits have already been obtained;

C. The current rates of the District shall produce the total revenue requirements set out in the engineering reports; and

D. Setting out the dates when it is anticipated that construction will begin and end.

14. The District does not contemplate having the Project constructed with any deviation from minimum construction standards or operating conditions of the Commission.

15. Both the District's Engineers and USDA have independently determined that **no rate increase will be necessary.**

16. The existing water rates and charges of the District are set forth in the USDA Letter of Conditions (**EXHIBIT 1**). A copy of the District's current rate schedule, which is identical to the rates set forth in the USDA Letter of Conditions, is attached hereto and incorporated herein by reference as **EXHIBIT 9.**

17. Since no rate increase will be required to finance the Project, it will not be necessary to publish any notice in a newspaper of general circulation in the District's service area. (See Section 2 of 807 KAR 5:069.)

18. The District plans to use any contingency funds remaining after construction of the Project to make additional water distribution line extensions and other water system improvements. These extensions and improvements will be made with the approval and under the supervision of the USDA.

19. The District respectfully represents to the PSC that there is a genuine need and demand for the Project.

WHEREFORE, the Applicant, the Hardin County Water District No. 2, pursuant to KRS 278.023, respectfully requests the Public Service Commission of Kentucky to grant:

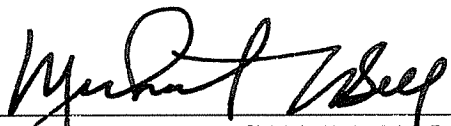
A. A Certificate of Public Convenience and Necessity authorizing the construction and installation of the Project;

B. An Order approving the proposed plan of financing which consists of the issuance of \$2,990,000 principal amount of Series 2005A Bonds by the District; and

C. An Order approving the interim financing loan described in paragraph 6 hereof.

Respectfully submitted,

HARDIN COUNTY WATER
DISTRICT NO. 2

BY: 
MICHAEL L. BELL, CHAIRMAN

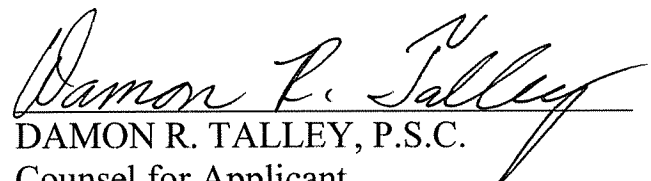

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(270) 358-3187 FAX (270) 358-9560

EXHIBIT LIST

HARDIN COUNTY WATER DISTRICT NO. 2

- EXHIBIT 1 LETTER OF CONDITIONS**
- EXHIBIT 2 AMENDED LETTER OF CONDITIONS**
- EXHIBIT 3 PRELIMINARY ENGINEERING
REPORT**
- EXHIBIT 4 FINAL ENGINEERING REPORT**
- EXHIBIT 5 BID TABULATIONS**
- EXHIBIT 6 ENGINEER'S BEST BID
RECOMMENDATIONS**
- EXHIBIT 7 USDA LETTER OF CONCURRENCE**
- EXHIBIT 8 CERTIFIED STATEMENT OF
CHAIRMAN**
- EXHIBIT 9 CURRENT RATE SCHEDULE**