

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE ADAIR COUNTY WATER )  
DISTRICT, A WATER DISTRICT ORGANIZED )  
PURSUANT TO CHAPTER 74 OF THE )  
KENTUCKY REVISED STATUTES IN ADAIR )  
COUNTY, KENTUCKY FOR (1) A CERTIFICATE )  
OF PUBLIC CONVENIENCE AND NECESSITY )  
AUTHORIZING AND PERMITTING SAID WATER )  
DISTRICT TO CONSTRUCT WATER )  
DISTRIBUTION SYSTEM IMPROVEMENTS, (2) )  
APPROVAL OF THE DISTRICT'S PLAN OF )  
FINANCING SAID IMPROVEMENTS THROUGH )  
THE ISSUANCE OF THE DISTRICT'S WATER )  
REVENUE BONDS, AND (3) THE APPROVAL OF )  
INCREASES IN THE DISTRICT'S RATES AND )  
CHARGES FOR WATER SERVICE )

CASE NO.  
2012-00018

ORDER

On January 13, 2012, Adair County Water District ("Adair District") applied for a Certificate of Public Convenience and Necessity to construct a \$2,054,000 waterworks improvement project, for an adjustment of rates, and for approval of its plan to finance the proposed project.

Adair District proposes to construct approximately 4,300 linear feet of 12-inch ductile iron water main; 8,105 linear feet of 8-inch polyvinylchloride ("PVC") water main; 13,350 linear feet of 6-inch PVC water main; 1,490 linear feet of 4-inch PVC water main;

and 200 linear feet of 3-inch PVC water main; and related appurtenances.<sup>1</sup> The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is \$2,054,000. Adair District states that the proposed project is necessary to replace old and deteriorated water lines in the City of Columbia.

Adair District proposes to finance the proposed construction from the proceeds of the issuance of \$1,459,000 of revenue bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, and a grant of \$595,000 from RD. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 2.375 percent per annum. Adair District further proposes to increase its rates for water service to finance its increased debt service requirements. Under the proposed rates, a residential customer who uses 5,000 gallons of water monthly will experience an increase of 25.46 percent in his or her monthly bill.

Adair District has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.180, KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Adair District or to defer

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<sup>1</sup> Adair District's Preliminary Engineering Report also refers to the construction of a new office facility at an estimated cost of \$300,000. This facility is not addressed in the Final Engineering Report that Adair District submitted with its application. Accordingly, no approval or authorization for the construction of the office facility is contained in this Order.

the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water district's proposed facilities will result in the wasteful duplication of facilities or excessive investment or if its proposed rates are unfair, unjust, or unreasonable.

Adair District's application met the minimum filing requirements of KRS 278.023 on January 13, 2012. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

IT IS THEREFORE ORDERED that:

1. Adair District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Adair District's proposed plan of financing is accepted.
3. Adair District is authorized to issue \$1,459,000 of its Water Revenue Bonds, Series of 2012, at an interest rate not exceeding 2.375 percent per annum, maturing over 40 years.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Adair District's application.
5. Notwithstanding ordering paragraph 4, if surplus funds remain after the approved construction has been completed, Adair District may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction will not result in a change in Adair District's rates for service. Adair District

shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Adair District shall file a copy of the “as-built” drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

7. Adair District 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.

8. Adair District shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Adair District shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

9. Adair District shall notify the Commission in writing one week prior to the actual start of construction and at the 50-percent completion point.

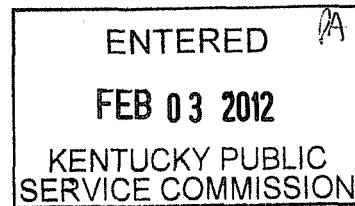
10. The rates set forth in the Appendix to this Order are approved for service that Adair District renders on and after the date of this Order.

11. Within 30 days of the date of this Order, Adair District shall file with the Commission revised tariff sheets that set forth the rates contained in the Appendix to this Order.

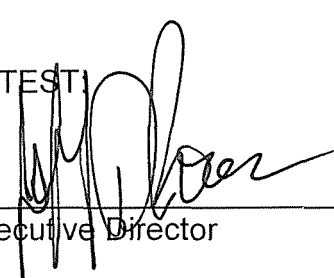
12. Any documents filed in the future pursuant to ordering paragraphs 5, 6 and 9 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

By the Commission



ATTEST:

  
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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2012-00018 DATED FEB 03 2012

The following rates and charges are prescribed for the customers in the area served by Adair County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8 x 3/4 Inch Meter

First	2,000	Gallons	\$ 19.90	Minimum Bill
Next	3,000	Gallons	7.00	Per 1,000 Gallons
Next	5,000	Gallons	6.25	Per 1,000 Gallons
Next	15,000	Gallons	5.20	Per 1,000 Gallons
All Over	25,000	Gallons	4.45	Per 1,000 Gallons

1 Inch Meter

First	5,000	Gallons	\$ 40.90	Minimum Bill
Next	5,000	Gallons	6.25	Per 1,000 Gallons
Next	15,000	Gallons	5.20	Per 1,000 Gallons
All Over	25,000	Gallons	4.45	Per 1,000 Gallons

1 1/2 Inch Meter

First	10,000	Gallons	\$ 72.15	Minimum Bill
Next	15,000	Gallons	5.20	Per 1,000 Gallons
All Over	25,000	Gallons	4.45	Per 1,000 Gallons

2 Inch Meter

First	16,000	Gallons	\$ 103.35	Minimum Bill
Next	9,000	Gallons	5.20	Per 1,000 Gallons
All Over	25,000	Gallons	4.45	Per 1,000 Gallons

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