

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|  |                     |
|--|---------------------|
| APPLICATION OF THE CUMBERLAND COUNTY ) |                     |
| WATER DISTRICT, A WATER DISTRICT )     |                     |
| ORGANIZED PURSUANT TO CHAPTER 74 OF )  |                     |
| THE KENTUCKY REVISED STATUTES, IN )    |                     |
| CUMBERLAND COUNTY, KENTUCKY, FOR (1) ) |                     |
| A CERTIFICATE OF PUBLIC CONVENIENCE )  |                     |
| AND NECESSITY AUTHORIZING AND )        |                     |
| PERMITTING SAID WATER DISTRICT TO )    |                     |
| CONSTRUCT WATER DISTRIBUTION SYSTEM )  | CASE NO. 2011-00053 |
| IMPROVEMENTS, CONSISTING OF THE )      |                     |
| CONSTRUCTION OF RENOVATIONS AND )      |                     |
| IMPROVEMENTS TO THE DISTRICTS WATER )  |                     |
| SYSTEM (2) THE APPROVAL OF THE )       |                     |
| PROPOSED PLAN OF FINANCING FOR SAID )  |                     |
| PROJECT AND (3) APPROVAL OF AN )       |                     |
| INCREASE OF RATES AND CHARGES FOR )    |                     |
| WATER SERVICE )                        |                     |

ORDER

On February 22, 2011, Cumberland County Water District (“Cumberland District”) applied for a Certificate of Public Convenience and Necessity to construct a waterworks improvement project, to approve its plan for financing the proposed project, and to increase its rates for water service.

Cumberland District proposes to construct approximately 300 linear feet of 8-inch polyvinylchloride (“PVC”) water main; 12,150 linear feet of 6-inch PVC water main; 47,450 linear feet of 4-inch PVC water main; 45,600 linear feet of 3-inch PVC water main; 220 linear feet of 2-inch PVC water main; and a water booster station. It further proposes to renovate two existing water storage tanks. The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is

\$1,500,000. The proposed construction will enable the water district to extend water service to 50 households.

Cumberland District proposes to finance the proposed construction from the proceeds of the issuance of \$1,000,000 of revenue bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, and a grant of \$500,000<sup>1</sup> 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. Cumberland District further proposes to increase its rates for water service to finance the increased debt service requirements. Under the proposed rates, an average customer who uses 5,000 gallons of water monthly will experience an increase of 7.8 percent in his or her monthly bill.

Cumberland District has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1) and KRS 278.180-.190, 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 Cumberland District or to defer 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

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<sup>1</sup> Under the provisions of the agreement between RD and Cumberland District, if project funds remain after the construction of the proposed project, Cumberland District must return the portion of the excess funds that is less than \$500,000.

duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable.

Cumberland District's application met the minimum filing requirements of KRS 278.023 on February 22, 2011. 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. Cumberland District is granted a Certificate of Public Convenience and Necessity for the proposed waterworks improvement project as set forth in its application.
2. Cumberland District's proposed plan of financing with RD is accepted.
3. Cumberland District is authorized to issue revenue bonds in the amount of \$1,000,000 at an interest rate not to exceed 2.375 percent per annum for 40 years.
4. Cumberland District shall use the proceeds of the proposed issuance of revenue bonds only for the purposes set forth in its application.
5. Cumberland District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.
6. Notwithstanding paragraph 5 of this Order, if surplus funds remain after the approved construction has been completed, Cumberland District may use such surplus to construct additional plant facility if RD approves of the use and the additional construction will not result in a change in Cumberland District's rates for service. Cumberland District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

7. Cumberland District shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky license, competent 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. Within 60 days of the substantial completion of the construction approved in this Order, Cumberland District shall file a copy of the as-built drawings and a certified statement of a licensed professional engineer with a Kentucky registration in civil or mechanical engineering that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

9. Cumberland District shall notify the Commission in writing at least seven days prior to the actual start of construction and at the 50 percent completion point.

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

11. Within 30 days of the date of this Order, Cumberland District shall file with the Commission revised tariff sheets setting out the rates approved in this Order.

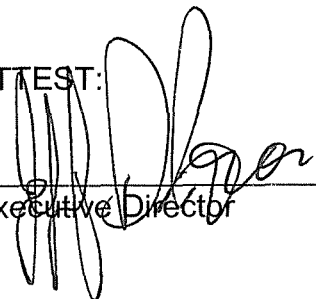
12. Any documents filed in the future pursuant to ordering paragraphs 8 and 9 herein shall reference this case number and shall be retained in the utility's general correspondence file.

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

ENTERED <sup>R</sup>  
MAR 22 2011  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2011-00053 DATED **MAR 22 2011**

The following rates and charges are prescribed for the customers in the area served by Cumberland 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.

5/8" X 3/4" Meter

|       |                |                        |
|-------|----------------|------------------------|
| First | 2,000 gallons  | \$ 19.48 Minimum Bill  |
| Next  | 3,000 gallons  | 7.10 per 1,000 gallons |
| Next  | 5,000 gallons  | 5.90 per 1,000 gallons |
| Over  | 10,000 gallons | 4.80 per 1,000 gallons |

1" Meter

|       |                |                        |
|-------|----------------|------------------------|
| First | 5,000 gallons  | \$ 40.78 Minimum Bill  |
| Next  | 5,000 gallons  | 5.90 per 1,000 gallons |
| Over  | 10,000 gallons | 4.80 per 1,000 gallons |

1 1/2" Meter

|       |                |                        |
|-------|----------------|------------------------|
| First | 12,500 gallons | \$ 82.28 Minimum Bill  |
| Over  | 12,500 gallons | 4.80 per 1,000 gallons |

2" Meter

|       |                |                        |
|-------|----------------|------------------------|
| First | 25,000 gallons | \$142.28 Minimum Bill  |
| Over  | 25,000 gallons | 4.80 per 1,000 gallons |

Steve Capps  
Chairman  
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