

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH LOGAN WATER)	
ASSOCIATION, INC. FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2013-00203
CONSTRUCT, FINANCE AND INCREASE RATES)	
PURSUANT TO THE PROVISIONS OF KRS 278.023)	

ORDER

South Logan Water Association, Inc. ("South Logan"), has applied to the Commission for a Certificate of Public Convenience and Necessity for a waterworks construction project, approval of its plan to finance the proposed project, and an adjustment of rates.

South Logan proposes to install approximately 14 miles of water main of various sizes, a new emergency supply meter with the Logan/Todd Regional Water Commission, and four new master meters, and to upgrade its telemetry system. Total estimated project cost, including legal and administrative, engineering inspection, contingency and engineering design costs, is \$1,793,475.

South Logan proposes to finance the proposed construction from proceeds of a loan of \$1,200,000 and a grant of \$460,000 from Rural Development ("RD"), an agency of the U.S. Department of Agriculture, and \$133,475 of internal funds. The proposed loan will be repaid over a 40-year period at an interest rate not to exceed 3 percent per annum. Under the proposed rates, the monthly bill of a residential customer who uses 5,000 gallons will increase from \$45.20 to \$48.90, or approximately 8.19 percent.

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

South Logan's application met the minimum filing requirements of KRS 278.023 on May 23, 2013. 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. South Logan is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. South Logan's proposed plan of financing is accepted.
3. South Logan is authorized to issue to RD a promissory note in an amount not to exceed \$1,200,000 to be repaid over a 40-year period at a rate of interest not to exceed 3 percent per annum.
4. The proceeds from the proposed promissory note shall be used only for the purposes specified in South Logan's application.

5. South Logan shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

6. Notwithstanding ordering paragraph 5, if surplus funds remain after the approved construction has been completed, South Logan 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 South Logan's rates for service. South Logan shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

7. South Logan 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.

8. South Logan 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 Logan 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 South Logan renders on and after the date of this Order.

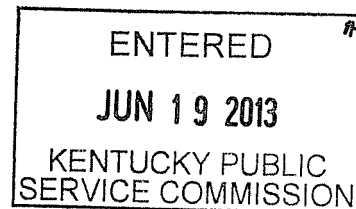
11. Within 30 days of the date of this Order, South Logan shall file revised tariff sheets with the Commission that set forth the rates contained in the Appendix to this Order.

12. Within 30 days of the date of the issuance of the proposed promissory note to RD, South Logan shall file with the Commission a copy of such note and any documents referenced in that note that have not previously been filed with the Commission.

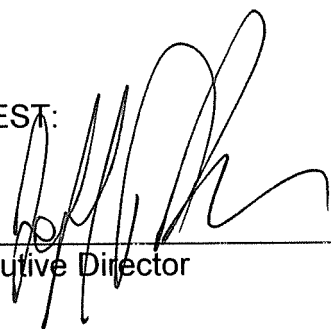
13. Any documents filed in the future pursuant to ordering paragraphs 6, 7, 9, 11, and 12 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

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:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2013-00203 DATED JUN 19 2013

The following rates and charges are prescribed for the customers in the area served by South Logan Water Association. 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-Inch Meter

First	2,000	\$23.67 Minimum Bill
Next	8,000	8.41 per 1,000 Gallons
Next	40,000	8.14 per 1,000 Gallons
Next	50,000	7.86 per 1,000 Gallons
Over	100,000	7.59 per 1,000 Gallons

1-Inch Meter

First	2,000	\$43.68 Minimum Bill
Next	8,000	8.41 per 1,000 Gallons
Next	40,000	8.14 per 1,000 Gallons
Next	50,000	7.86 per 1,000 Gallons
Over	100,000	7.59 per 1,000 Gallons

1 1/2-Inch Meter

First	2,000	\$61.66 Minimum Bill
Next	8,000	8.41 per 1,000 Gallons
Next	40,000	8.14 per 1,000 Gallons
Next	50,000	7.86 per 1,000 Gallons
Over	100,000	7.59 per 1,000 Gallons

2-Inch Meter

First	2,000	\$94.19 Minimum Bill
Next	8,000	8.41 per 1,000 Gallons
Next	40,000	8.14 per 1,000 Gallons
Next	50,000	7.86 per 1,000 Gallons
Over	100,000	7.59 per 1,000 Gallons

3-Inch Meter

First	2,000	\$126.29 Minimum Bill
Next	8,000	8.41 per 1,000 Gallons
Next	40,000	8.14 per 1,000 Gallons
Next	50,000	7.86 per 1,000 Gallons
Over	100,000	7.59 per 1,000 Gallons

4-Inch Meter

First	2,000	\$162.99 Minimum Bill
Next	8,000	8.41 per 1,000 Gallons
Next	40,000	8.14 per 1,000 Gallons
Next	50,000	7.86 per 1,000 Gallons
Over	100,000	7.59 per 1,000 Gallons

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202