

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BUFFALO TRAIL WATER)
ASSOCIATION, INC. OF ROBERTSON COUNTY,)
KENTUCKY, FOR A CERTIFICATE OF PUBLIC) CASE NO.
CONVENIENCE AND NECESSITY, FOR ORDER) 91-241
APPROVING CONSTRUCTION FINANCING, AND)
ORDER APPROVING INCREASED RATES)

O R D E R

On July 18, 1991, Buffalo Trail Water Association, Inc. ("Buffalo Trail") filed an application for a Certificate of Public Convenience and Necessity to construct a \$521,450 waterworks improvement project, for approval of its plan of financing for this project, and for adjustments to its water service rates. This project will make improvements to the existing water system and provide service to 24 additional customers. Project funding includes a \$220,000 loan from the Kentucky Association of Counties Leasing Trust Program, a \$257,550 Kentucky Community Development Block Grant from the U.S. Department of Housing and Urban Development ("HUD"), a \$40,000 Area Development Fund Grant, and \$3,900 from applicants for service in the proposed project area.

Buffalo Trail's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water associations and HUD and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that

minimum filing requirements were met in this case on August 9, 1991, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

KRS 278.023(4) prohibits the Commission from denying an increase in rates pursuant to agreements between water districts and HUD if the increase "is required as a condition for federal funding of a construction project under an approved agreement between the water utility and federal agency." However, in this instance, Buffalo Trail's agreement with HUD does not require the increase in rates proposed by Buffalo Trail in its application. The Commission therefore finds that the proposed rate increase should be denied.

IT IS THEREFORE ORDERED that:

1. The increase in water rates proposed by Buffalo Trail in its application is hereby denied, without prejudice to the right of Buffalo Trail to apply for an increase in rates outside the parameters of KRS 278.023.
2. Buffalo Trail is hereby granted a Certificate of Public Convenience and Necessity for the proposed construction project.
3. Buffalo Trail's proposed plan of financing with HUD is accepted.
4. Buffalo Trail 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.

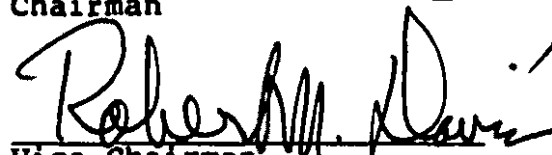
5. Buffalo Trail shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer falls outside the requirements of 807 KAR 5:066, Section 6(1), Buffalo Trail shall take immediate action to bring the system into compliance with Commission regulations.

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

Done at Frankfort, Kentucky, this 6th day of September, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

Commissioner

ATTEST:


Executive Director