

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MOUNTAIN WATER)	
DISTRICT OF PIKE COUNTY, KENTUCKY, FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE, TO)	
CONSTRUCT A SEWER CONSTRUCTION)	
PROJECT, CONSISTING OF EXTENSIONS,)	CASE NO.
ADDITIONS AND IMPROVEMENTS TO THE)	2006-00438
EXISTING SEWER SYSTEM, AN ORDER)	
APPROVING INCREASED RATES AND APPROVAL)	
OF THE PROPOSED PLAN OF FINANCING THE)	
PROJECT, PURSUANT TO KRS 278.023)	

O R D E R

On October 6, 2006, Mountain Water District ("Mountain Water") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$2,010,920 sewer system improvement project. The project consists of the extension of sewer service to the residents of Cowpen Creek and Harmons Branch, and the redirection of sewer flow from the Mossy Bottom Sewer Treatment Plant to the City of Pikeville Treatment Plant.

Mountain Water proposes to finance the construction of the project through the issuance of \$650,000 of its Sewer System Revenue Bonds; a Rural Development ("RD") grant in the amount of \$250,000; an Environmental Protection Agency ("EPA") grant in the amount of \$967,800; and a contribution from the city of Pikeville in the amount of \$143,120. Mountain Water has a commitment from RD to purchase \$650,000 of bonds maturing over a 40-year period, at an interest rate not exceeding 4.25 percent per annum.

Mountain Water District also requests approval of the proposed schedule of sewer rates and charges as set forth in Appendix A. The imposition of these rates is a condition of the financing agreement of RD and Mountain Water.

Mountain Water's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U. S. Department of Agriculture or the U.S. Department of Housing and Urban Development, 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 October 9, 2006, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. Mountain Water is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Mountain Water's proposed plan of financing is accepted.
3. Mountain Water is authorized to issue Sewer System Revenue Bonds, in the amount of \$650,000 maturing over 40 years and at an interest rate not exceeding 4.25 percent per annum.
4. The proceeds from the revenue bond issuance shall be used only for the purposes specified in Mountain Water's application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Mountain Water 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 Mountain Water's rates for service. The utility shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Mountain Water 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.

7. Mountain Water shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

8. Three years from the effective date of this Order, Mountain Water shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the proposed water rates are sufficient to meet its operating expenses and annual debt service requirements.

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

Done at Frankfort, Kentucky, this 1st day of November, 2006.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00438 DATED November 1, 2006

The following rates and charges are prescribed for the customers in the area served by Mountain 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 Sewer Rates

First	2,000	Gallons	\$ 14.00	Minimum Bill
All Over	2,000	Gallons	6.00	per 1,000 Gallons