

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF U.S. 60 WATER DISTRICT)	
OF SHELBY, SPENCER, AND FRANKLIN)	
COUNTIES TO TERMINATE OR REVISE)	CASE NO. 2008-00345
SURCHARGES RELATED TO CERTAIN WATER)	
DISTRIBUTION MAIN EXTENSIONS)	

ORDER

U.S. 60 Water District of Shelby, Spencer and Franklin Counties ("U.S. 60 Water District") has applied for Commission approval to cease collection of two surcharges and shorten the period of a third surcharge that we authorized to finance the construction of three water distribution main extensions. We grant the application.

U.S. 60 Water District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water to approximate 2,234 customers in Anderson, Shelby, Spencer, and Franklin counties.¹ It is a utility whose rates and service are subject to Commission jurisdiction.²

On three separate occasions in the 1990s, the Commission approved special extension arrangements that required U.S. 60 Water District to assess a monthly surcharge to customers receiving water service through certain water distribution main extensions. U.S. 60 Water District requested these surcharges to assist in its financing of the extensions.

¹ Report of U.S. 60 Water District for Shelby, Spencer and Franklin Counties for the Year Ended December 31, 2007 at 5 and 27.

² KRS 278.010(3); KRS 278.015; KRS 278.040(1).

In Case No. 1992-00298,³ the Commission authorized U.S. 60 Water District to assess a monthly surcharge of \$9.00 to approximately 140 customers who were expected to connect to a proposed water distribution main extension to serve certain areas in Anderson, Shelby, and Spencer counties.⁴ In lieu of requiring the persons who would receive water service through the water main extension to contribute the cost of main extension prior to the construction of the proposed water main,⁵ U.S. 60 Water District proposed to borrow the funds necessary for the construction and to service the debt with the proposed surcharge proceeds. It further proposed that collection of the surcharge would cease upon retirement of the construction contribution loan or 20 years after its authorization, whichever occurred first.⁶

In Case No. 1993-00149,⁷ U.S. 60 Water District proposed to assess a separate monthly surcharge of \$9.00 to finance a water distribution main extension to serve

³ Case No. 1992-00298, The Application of U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, for an Order Approving Construction, Financing and Certificate of Public Convenience and Necessity (Ky. PSC Dec. 18, 1992).

⁴ This water distribution main extension ran along Pea Ridge Road, Cat Ridge Road, and Kentucky Highway 44/53 in Shelby County, Benson Road and Avenstoke (Pigeon Fork Church) Road in Anderson County, and Kentucky Highway 44/53 and Driscoll Road in Spencer County.

⁵ See 807 KAR 5:066, Section 11.

⁶ In our Order of December 18, 1992, we failed to state explicitly the date upon which the surcharge would terminate. Following Commission approval of the proposed surcharge, U.S. 60 Water District placed a termination provision in its filed rate schedule. See Tariff of U.S. 60 Water District of Shelby and Franklin Counties, PSC. Ky. No. 3, First Revised Sheet No. 16 (effective Nov. 1, 1993).

⁷ Case No. 1993-00149, The Application of U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, for an Order Approving Construction, Financing and Certificate of Public Convenience and Necessity (Ky. PSC July 9, 1993).

approximately 65 new customers in portions of Shelby and Anderson counties.⁸ As with the earlier surcharge, this surcharge was intended to substitute for required initial customer contributions and was to terminate upon payment of a construction contribution loan or 20 years after its authorization, whichever occurred first.⁹ Referring to our earlier action in Case No. 1992-00298, we approved the proposed surcharge.

In Case No. 1995-00409,¹⁰ U.S. 60 Water District sought and was granted authority to assess a monthly surcharge of \$12 to approximately 22 customers who were expected to connect to a proposed water distribution main extension in Shelby County.¹¹ As with the earlier surcharges, this surcharge substituted for initial customer contributions toward the cost of the water distribution main extension and was to end when the contribution loan had been repaid.¹²

⁸ This water distribution main extension ran along Woodlawn Road, Bardstown Trail, Kentucky Highway 1472 (Hickory Ridge Road), Samples Road, and Crawford Road, in Shelby and Anderson counties.

⁹ See Tariff of U.S. 60 Water District of Shelby and Franklin Counties, PSC Ky. No. 3, First Revised Sheet No. 16 (effective Nov. 1, 1993). The water district reported the required customer contribution as \$220,783 and assumed responsibility to service the debt on \$174,387 of this amount. It intended the surcharge proceeds to cover the debt service on the remainder.

¹⁰ Case No. 1995-00409, The Application of U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, for an Order Approving Construction, Financing and Certificate of Public Convenience and Necessity (Ky. PSC April 17, 1996).

¹¹ This water distribution main ran along Rockbridge Road and Davis-Morris Road in Shelby County.

¹² With this extension, U.S. 60 Water District borrowed \$81,644 from the Kentucky Association of Counties Leasing Trust to finance a portion of the distribution main. The Shelby County Fiscal Court contributed \$37,841 toward the extension and further committed itself to a contingency fund of \$9,425. Persons along the distribution main were expected to provide \$11,530 through the proposed surcharge.

U.S. 60 Water District has advised the Commission that it has retired the construction contribution loan that was funded with the surcharge authorized in Case No. 1992-00298.¹³ It further has advised that it has sufficient unrestricted funds that, when coupled with existing surcharge proceeds on hand, will enable it to retire the outstanding balance on the construction contribution loan that was funded with the surcharge authorized in Case No. 1993-00149.¹⁴ Finally, U.S. 60 Water District has advised the Commission of the decision of its Board of Commissioners to retire the final surcharge no later than 15 years after the surcharge's authorization.

IT IS THEREFORE ORDERED that:

1. Effective on the date of this Order, U.S. 60 Water District shall cease collection of the surcharge authorized in the Commission's Order of July 9, 1993 in Case No. 1993-149.

2. U.S. 60 Water District shall cease assessment of the surcharge authorized in the Commission's Order of April 17, 1996 in Case No. 1995-00409 no later than April 16, 2011 or upon extinguishment of its loan with Kentucky Association of Counties Leasing Trust which it entered to finance the distribution main for which the Commission issued a Certificate of Public Convenience and Necessity in Case No. 1995-00409, whichever occurs first.

3. Within 20 days of the date of this Order, U.S. 60 Water District shall file revised tariff sheets that reflect the termination of the surcharges authorized in Case

¹³ Letter from Donald T. Prather, counsel for U.S. 60 Water District, to Stephanie Stumbo, Executive Director, Public Service Commission (Sept. 2, 2008).

¹⁴ U.S. 60 Water District has requested Commission authorization to use \$63,354.25 of its unrestricted funds to retire the outstanding loan balance. As we find no statute or regulation that requires Commission authorization for use on unrestricted funds, the Commission denies the request as moot.

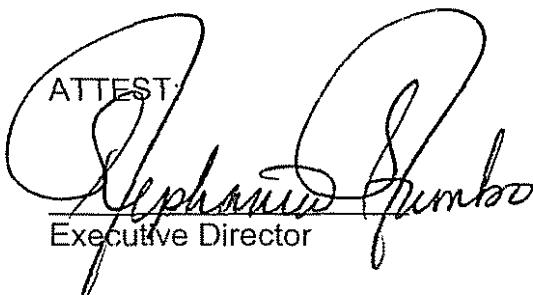
No. 1992-00298 and Case No. 1993-00149 and the revision of the surcharge previously authorized in Case No. 1995-00409.

4. All provisions of the Commission's Order of April 17, 1996 in Case No. 1995-00409 that do not conflict with the terms of this Order shall remain in full force and effect.

5. Subject to the filing of timely petition for rehearing pursuant to KRS 278.400, these proceedings are closed. The Executive Director shall place any future filings in the appropriate utility's general correspondence file or shall docket the filing as a new proceeding.

Done at Frankfort, Kentucky, this 16th day of December, 2008.

By the Commission

ATTEST:

Executive Director

Darrell Dees
Manager
U. S. 60 Water District of Shelby, Spencer and
P. O. Box 97
Bagdad, KY 40003

Honorable Donald T Prather
Attorney At Law
Mathis, Riggs & Prather, P.S.C. Attorneys at Law
P. O. Box 1059
500 Main Street, Suite 5
Shelbyville, KY 40066-1059