

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|---|------------|
| THE APPLICATION OF ADAIR COUNTY WATER |) | |
| DISTRICT FOR A CERTIFICATE OF PUBLIC |) | CASE NO. |
| CONVENIENCE AND NECESSITY TO CONSTRUCT |) | 2009-00320 |
| WATER DISTRIBUTION SYSTEM IMPROVEMENTS |) | |
| AND THE APPROVAL OF THE PROPOSED PLAN OF |) | |
| FINANCING IMPROVEMENTS |) | |

O R D E R

On July 30, 2009, Adair County Water District (“Adair Water”) submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$3,500,000 waterworks improvement project. This project consists of the construction and installation of approximately five miles of twelve-inch Ductile Iron water mains, a booster pump station, a 1,000,000-gallon elevated water storage tank, and related appurtenances to improve water system pressure in the northeast portion of the service area and increase the volume of water storage to its existing customers. Project funding consists of a \$1,100,000 loan from the U.S. Department of Agriculture’s Rural Development (“RD”); a \$608,000 grant from RD; a 2006 Kentucky General Assembly Grant in the amount of \$292,000; and a \$1,500,000 grant from the Economic Development Administration.

Adair 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 July 30, 2009, 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. Adair Water is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Adair Water's proposed plan of financing with RD is accepted.
3. Adair Water is authorized to issue its Waterworks Revenue Bonds from the RD loan in the amount of \$1,100,000 at an interest rate not exceeding 2.75 percent per annum, maturing over 40 years.
4. The proceeds from the loan agreement with RD shall be used only for the purposes specified in Adair Water's application.
5. Notwithstanding Ordering paragraph 4, if surplus funds remain after the approved construction has been completed, Adair Water may use such surplus to construct additional plant facility if RD approves of the use and if the additional construction will not result in a change in Adair Water's rates for service. Adair Water shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
6. Adair 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 certified herein.

7. Adair Water 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 is outside the requirements of 807 KAR 5:066, Section 5(1), Adair Water shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

8. Adair Water shall notify the Commission one week prior to the actual start of construction and at the fifty Percent completion point.

9. The rates set out in the Appendix, attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.

10. Within 30 days of the date of this Order, Adair Water shall file with the Commission its revised tariffs setting out the rates approved herein.

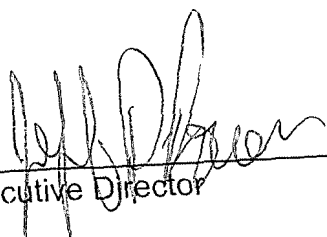
11. Three years from the date of this Order, Adair Water shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

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 *M*
AUG 28 2009
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2009-00320

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN
CASE NO. 2009-00320 DATED **AUG 28 2009**

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

Monthly Water Rates

5/8" x 3/4" Meter:

| | | | |
|----------|--------|---------|------------------------|
| First | 2,000 | Gallons | \$ 15.35 Minimum Bill |
| Next | 3,000 | Gallons | 5.75 Per 1,000 Gallons |
| Next | 5,000 | Gallons | 5.00 Per 1,000 Gallons |
| Next | 15,000 | Gallons | 3.90 Per 1,000 Gallons |
| All Over | 25,000 | Gallons | 3.15 Per 1,000 Gallons |

1" Meter:

| | | | |
|----------|--------|---------|------------------------|
| First | 5,000 | Gallons | \$ 32.60 Minimum Bill |
| Next | 5,000 | Gallons | 5.00 Per 1,000 Gallons |
| Next | 15,000 | Gallons | 3.90 Per 1,000 Gallons |
| All Over | 25,000 | Gallons | 3.15 Per 1,000 Gallons |

1 1/2" Meter:

| | | | |
|----------|--------|---------|------------------------|
| First | 10,000 | Gallons | \$ 57.60 Minimum Bill |
| Next | 15,000 | Gallons | 3.90 Per 1,000 Gallons |
| All Over | 25,000 | Gallons | 3.15 Per 1,000 Gallons |

2" Meter:

| | | | |
|----------|--------|---------|------------------------|
| First | 16,000 | Gallons | \$ 81.00 Minimum Bill |
| Next | 9,000 | Gallons | 3.90 Per 1,000 Gallons |
| All Over | 25,000 | Gallons | 3.15 Per 1,000 Gallons |

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