

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTHERN WATER AND SEWER)
DISTRICT OF FLOYD AND KNOTT COUNTIES,)
KENTUCKY FOR A CERTIFICATE OF PUBLIC) CASE NO.
CONVENIENCE AND NECESSITY TO CONSTRUCT,) 2009-00398
FINANCE AND INCREASE RATES PURSUANT TO)
KRS 278.023)

O R D E R

On September 30, 2009, Southern Water and Sewer District ("Southern") applied for a Certificate of Public Convenience and Necessity to construct a waterworks improvement project, authority to issue revenue bonds, and an adjustment in rates for service. The proposed project consists of replacement of the existing Price water storage tank with a 300,000-gallon storage tank, upgrades to the Spewing Camp pump station, replacement of the existing Fisher Hollow pump station, and installation of a master meter and appurtenances to connect to the Big Sandy Valley Water District system. Project funding consists of the issuance of \$530,000 of Waterworks Revenue Bonds and a grant from the U.S. Department of Agriculture, Rural Development ("RD") in the amount of \$229,000. Southern has a commitment from RD to purchase said \$530,000 bonds maturing over a 40-year period, at an interest rate not to exceed 2.75 percent per annum.

Southern'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 the minimum filing requirements were met in this case on September 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. Southern is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Southern's proposed plan of financing with RD is accepted.
3. Southern is authorized to issue its Waterworks Revenue Bonds to RD in the amount of \$530,000 at an interest rate not exceeding 2.75 percent per annum, maturing over 40 years.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Southern's application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Southern 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 Southern's rates for service. Southern shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
6. Southern 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. Southern 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), Southern shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

8. Southern 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, which is 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, Southern shall file with the Commission its revised water tariff setting out the rates approved herein.

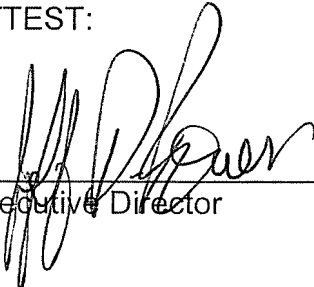
11. Three years from the date of this Order, Southern shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

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
OCT 26 2009 *M*
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN
CASE NO. 2009-00398 DATED **OCT 26 2009**

The following rates and charges are prescribed for the customers in the area served by Southern Water and Sewer 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

First	2,000 Gallons	\$20.00	Minimum Bill
All Over	2,000 Gallons	7.00	Per 1,000 Gallons

Wholesale Water Rates

City of Hindman	\$ 2.74	Per 1,000 Gallons
Knott County Water District	\$ 2.80	Per 1,000 Gallons
City of Wheelwright	\$ 2.72	Per 1,000 Gallons

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