

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|---|------------|
| APPLICATION OF THE CAWOOD WATER DISTRICT |) | |
| FOR A CERTIFICATE OF PUBLIC CONVENIENCE |) | CASE NO. |
| AND NECESSITY TO CONSTRUCT, FINANCE AND |) | 2009-00499 |
| INCREASE RATES PURSUANT TO KRS 278.023 |) | |

O R D E R

On December 14, 2009, Cawood Water District ("CWD") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$2,901,500 waterworks improvement project. This project consists of the construction and installation of approximately 17 miles of 6-inch through 3-inch water mains, a booster pump station, a 47,000-gallon water storage tank, and related appurtenances to serve approximately 110 new customers. Project funding consists of the issuance of \$357,000 of Waterworks Revenue Bonds to be purchased by the U.S. Department of Agriculture's Rural Development ("RD"); a \$153,000 grant from RD; an Appalachian Regional Commission grant of \$375,000; a Coal Severance grant in the amount of \$2,000,000; and a \$16,500 contribution from the applicant.

CWD'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 December 14, 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. CWD is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. CWD's proposed plan of financing with RD is accepted.

3. CWD is authorized to issue its Waterworks Revenue Bonds in the amount of \$357,000 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 CWD's application.

5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, CWD 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 CWD's rates for service. CWD shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. CWD 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. CWD 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), CWD shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

8. CWD shall notify the Commission one week prior to the actual start of construction and at the fifty percent completion point.

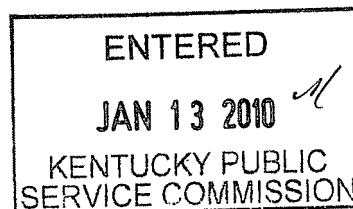
9. The rates set out in the Appendix attached hereto and incorporated herein are the rates approved for service rendered on and after the date of this Order.

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

11. Three years from the date of this Order, CWD 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



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2009-00499 DATED JAN 13 2010

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

| | | |
|-------|----------------|------------------------|
| First | 2,000 Gallons | \$20.56 Minimum Bill |
| Next | 8,000 Gallons | 6.92 Per 1,000 Gallons |
| Over | 10,000 Gallons | 4.93 Per 1,000 Gallons |

Monthly Water Rates – Path Fork Area

| | | |
|-------|----------------|------------------------|
| First | 2,000 Gallons | \$22.35 Minimum Bill |
| Next | 8,000 Gallons | 8.53 Per 1,000 Gallons |
| Over | 10,000 Gallons | 6.53 Per 1,000 Gallons |

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KY 40202

Lana Pace
Finance Officer
Cawood Water District
54 Plant Road
P. O. Box 429
Cawood, KY 40815