

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH MERCER WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO)	CASE NO. 2011-00170
CONSTRUCT, FINANCE, AND INCREASE RATES)	
PURSUANT TO THE PROVISIONS OF KRS)	
278.023		

ORDER

On May 13, 2011, North Mercer Water District ("North Mercer") applied to the Commission for a Certificate of Public Convenience and Necessity to construct a \$1,874,000 waterworks improvement project, for an adjustment of rates and for approval of its plan to finance the proposed project.

North Mercer proposes to construct or install approximately 20,100 linear feet of 8-inch water main; 17,150 linear feet of 6-inch water main; a booster pump station; a connection to South Anderson Water District, and related appurtenances. The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is \$1,874,000. North Mercer states that the proposed project will improve water supply to the northern portion of North Mercer's distribution system, which is experiencing problems meeting system demand during high usage periods, and will diversify its sources of water.

North Mercer proposes to finance the proposed construction from the proceeds of the issuance of \$1,874,000 of revenue bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture. The proposed bonds will mature over a

40-year period and accrue interest at a rate not to exceed 4.5 percent per annum. North Mercer further proposes to increase its rates for water service to finance the increased debt service requirements. Under the proposed rates, an average customer who uses 5,000 gallons of water monthly will experience an increase of 29.8 percent in his or her monthly bill.

North Mercer has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1) and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and North Mercer or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water district's proposed facilities will result in the wasteful duplication of facilities or excessive investment or its proposed rates are unfair, unjust, or unreasonable.

North Mercer's application met the minimum filing requirements of KRS 278.023 on May 13, 2011. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

IT IS THEREFORE ORDERED that:

1. North Mercer is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. North Mercer's proposed plan of financing is accepted.
3. North Mercer is authorized to issue \$1,874,000 of North Mercer Water District Waterworks Revenue Bonds, Series 2011, at an interest rate not exceeding 4.5 percent per annum, maturing over 40 years.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in North Mercer's application.
5. Notwithstanding ordering paragraph 4, if surplus funds remain after the approved construction has been completed, North Mercer may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction will not result in a change in North Mercer's rates for service. North Mercer shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
6. North Mercer shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.
7. North Mercer shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with

the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

8. North Mercer 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), North Mercer shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

9. North Mercer shall notify the Commission one week prior to the actual start of construction and at the 50-percent completion point.

10. The rates set forth in the Appendix to this Order are approved for service that North Mercer renders on and after the date of this Order.

11. Within 30 days of the date of this Order, North Mercer shall file with the Commission revised tariff sheets that set forth the rates contained in the Appendix to this Order.

12. Any documents filed in the future pursuant to ordering paragraphs 5 and 6 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

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 *(TW)*
JUN 10 2011
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

David Greenwell for
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2011-00170 DATED JUN 10 2011

The following rates and charges are prescribed for the customers in the area served by North Mercer 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	1,000 gallons	\$ 16.30	Minimum bill
Next	2,000 gallons	6.70	per 1,000 gallons
Next	2,000 gallons	6.00	per 1,000 gallons
Next	5,000 gallons	5.80	per 1,000 gallons
All Over	10,000 gallons	5.50	per 1,000 gallons

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