

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|--|---|---------------------|
| APPLICATION OF SHARPSBURG WATER |) | |
| DISTRICT FOR A CERTIFICATE OF PUBLIC |) | |
| CONVENIENCE AND NECESSITY, AN INCREASE |) | CASE NO. 2011-00188 |
| IN RATES, AND APPROVAL OF A PLAN OF |) | |
| FINANCING PURSUANT TO THE PROVISIONS |) | |
| OF KRS 278.023 |) | |

ORDER

On May 31, 2011, Sharpsburg Water District (“Sharpsburg District”) applied to the Commission for a Certificate of Public Convenience and Necessity to construct a \$1,487,600 waterworks improvement project, for an adjustment of rates, and for approval of its plan to finance the proposed project.

Sharpsburg District proposes to replace approximately 43,500 linear feet of 8-inch polyvinylchloride (“PVC”) water main; 230 linear feet of 6-inch PVC water main; 80 linear feet of 4-inch PVC water main; and 450 linear feet of 3-inch PVC water main; 3,300 linear feet of 2-inch service pipe replacement; 6,400 linear feet of 1-inch service pipe replacement; and related appurtenances. The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is \$1,487,600. Sharpsburg District states that the proposed project is necessary to replace a poorly constructed 8-inch water main that runs along Kentucky Highway 36 and that is a significant source of water loss. The proposed project will also replace 335 problematic service connections that have contributed to the loss of water.

Sharpsburg District proposes to finance the proposed construction from the proceeds of the issuance of \$642,000 of revenue bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, a grant of \$345,000 from RD, and a grant of \$500,000 from the Appalachian Regional Commission. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 2.375 percent per annum. Sharpsburg District 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 5.2 percent in his or her monthly bill.

Sharpsburg District has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.180, 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 Sharpsburg District 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.

Sharpsburg District's application met the minimum filing requirements of KRS 278.023 on May 31, 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. Sharpsburg District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Sharpsburg District's proposed plan of financing is accepted.
3. Sharpsburg District is authorized to issue \$642,000 of Sharpsburg Water District Waterworks Revenue Bonds, at an interest rate not exceeding 2.375 percent per annum, maturing over 40 years.
4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Sharpsburg District's application.
5. Notwithstanding ordering paragraph 4, if surplus funds remain after the approved construction has been completed, Sharpsburg District 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 Sharpsburg District's rates for service. Sharpsburg District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
6. Sharpsburg District 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. Sharpsburg District 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. Sharpsburg District 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), Sharpsburg District shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

9. Sharpsburg District shall notify the Commission in writing one week prior to the actual start of construction and at the 50-percent completion point.

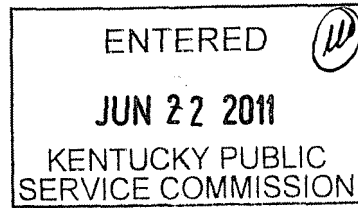
10. The rates set forth in the Appendix to this Order are approved for service that Sharpsburg District renders on and after the date of this Order.

11. Within 30 days of the date of this Order, Sharpsburg District 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, 6 and 9 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



ATTEST:

Carson D. Greenwell for
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2011-00188 DATED **JUN 22 2011**

The following rates and charges are prescribed for the customers in the area served by Sharpsburg 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 | \$ 24.60 | Minimum Bill |
| Next | 3,000 | Gallons | 5.81 | Per 1,000 Gallons |
| Next | 5,000 | Gallons | 5.15 | Per 1,000 Gallons |
| All Over | 10,000 | Gallons | 4.89 | Per 1,000 Gallons |

1" Meter

| | | | | |
|----------|--------|---------|----------|-------------------|
| First | 5,000 | Gallons | \$ 24.60 | Minimum Bill |
| Next | 5,000 | Gallons | 5.15 | Per 1,000 Gallons |
| All Over | 10,000 | Gallons | 4.89 | Per 1,000 Gallons |

2" Meter

| | | | | |
|----------|--------|---------|----------|-------------------|
| First | 16,000 | Gallons | \$ 97.12 | Minimum Bill |
| All Over | 16,000 | Gallons | 4.89 | Per 1,000 Gallons |

Schools

| | | | | |
|----------|--------|---------|----------|-------------------|
| First | 50,000 | Gallons | \$263.38 | Minimum Bill |
| All Over | 50,000 | Gallons | 4.89 | Per 1,000 Gallons |

| | | | | |
|--------------|--|--|---------|-------------------|
| Bulk Loading | | | \$ 9.00 | Per 1,000 Gallons |
|--------------|--|--|---------|-------------------|

Ms. Gayle Haney
Manager/Distribution Operator
Sharpsburg Water District
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