

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---------------------------------------|---|------------|
| APPLICATION OF ALLEN COUNTY WATER |) | |
| DISTRICT FOR A CERTIFICATE OF PUBLIC |) | |
| CONVENIENCE AND NECESSITY TO |) | CASE NO. |
| CONSTRUCT, FINANCE AND INCREASE RATES |) | 2011-00366 |
| PURSUANT TO KRS 278.023 |) | |

ORDER

On September 6, 2011, Allen County Water District ("Allen District") applied to the Commission for a Certificate of Public Convenience and Necessity to construct a \$1,147,000 waterworks improvement project, for an adjustment of rates, and for approval of its plan to finance the proposed project.

Allen District proposes to construct approximately 17,400 linear feet of eight-inch polyvinylchloride water main, a pump station, and related appurtenances. The total cost of the proposed project, including legal, engineering inspection, and engineering design costs, is \$1,147,000. Allen District states that the proposed project is necessary to increase the chlorine residual in approximately three miles of an existing twelve-inch water main located in the right-of-way of the new US Highway 231. This water main provides service to existing customers in the Johnson Road area and any new customers locating along the new highway. Allen District proposes to increase the turnover rate by re-directing existing demands in the northwestern area of Allen County through the twelve-inch water main until adequate growth along this section of highway occurs.

Allen District proposes to finance the proposed construction from the proceeds of the issuance of \$797,000 of revenue bonds to Rural Development ("RD"), an agency of the U.S. Department of Agriculture, a grant of \$200,000 from RD, and a contribution from the Applicant in the amount of \$150,000. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed three percent per annum. Allen 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 10.46 percent in his or her monthly bill.

Allen 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 Allen 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.

Allen District's application met the minimum filing requirements of KRS 278.023 on September 6, 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. Allen District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. Allen District's proposed plan of financing is accepted.

3. Allen District is authorized to issue \$797,000 of Allen County Water District's Waterworks Revenue Bonds, at an interest rate not exceeding three percent per annum, maturing over 40 years.

4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Allen District's application.

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

6. Allen 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. Allen 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. Allen 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), Allen District shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

9. Allen 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 Allen District renders on and after the date of this Order.

11. Within 30 days of the date of this Order, Allen District shall file with the Commission revised tariff sheets that set forth the rates contain 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

ENTERED ^{PA}
OCT 05 2011
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2011-00366 DATED **OCT 05 2011**

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

General Customers

| | | | | |
|----------|--------|---------|---------|-------------------|
| First | 2,000 | Gallons | \$19.29 | Minimum Bill |
| Next | 3,000 | Gallons | 7.58 | Per 1,000 Gallons |
| Next | 5,000 | Gallons | 6.42 | Per 1,000 Gallons |
| Next | 60,000 | Gallons | 5.86 | Per 1,000 Gallons |
| All Over | 70,000 | Gallons | 5.37 | Per 1,000 Gallons |

U.S. Corp of Engineers

| | | | | |
|----------|--------|---------|----------|-------------------|
| First | 55,000 | Gallons | \$365.26 | Minimum Bill |
| Next | 15,000 | Gallons | 5.86 | Per 1,000 Gallons |
| All Over | 70,000 | Gallons | 5.37 | Per 1,000 Gallons |

Mobile Home Parks

| | | | | |
|----------|--------|---------|---------|-------------------|
| First | 10,000 | Gallons | \$67.63 | Minimum Bill |
| Next | 60,000 | Gallons | 5.86 | Per 1,000 Gallons |
| All Over | 70,000 | Gallons | 5.37 | Per 1,000 Gallons |

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