

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|  |   |                     |
|--|---|---------------------|
| APPLICATION OF THE GRAYSON COUNTY      | ) |                     |
| WATER DISTRICT FOR A CERTIFICATE OF    | ) |                     |
| PUBLIC CONVENIENCE AND NECESSITY TO    | ) | CASE NO. 2012-00198 |
| CONSTRUCT, FINANCE, AND INCREASE RATES | ) |                     |
| PURSUANT TO KRS 278.023                | ) |                     |

ORDER

On May 22, 2012, Grayson County Water District (“Grayson District”) applied for a Certificate of Public Convenience and Necessity to construct a waterworks improvement project, for approval of its plan for financing the proposed project, and for an adjustment of its rates for water service.

Grayson District proposes to construct 8,000 linear feet of 10-inch polyvinylchloride water main and appurtenances and to make several improvements to its existing water treatment plant, including the construction of a chemical building and the installation of an ultraviolet light disinfection system, sodium hypochlorite system, and 400-kilowatt generator. The proposed project’s total cost, including legal, engineering inspection, and engineering design costs, is \$1,960,000.

Grayson District proposes to finance the proposed construction from the proceeds of the issuance of \$1,425,000 of revenue bonds to Rural Development (“RD”),<sup>1</sup> a grant of \$505,000 from RD, and internal funds of \$30,000. Grayson District further proposes to increase its rates for water service to finance the increased debt service requirements. Under the proposed rates, the monthly bill of a customer who

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<sup>1</sup> RD is an agency of the U.S. Department of Agriculture.

uses 5,000 gallons of water will increase from \$45.33 to \$47.50, an increase of 4.79 percent.

Grayson District has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1) and KRS 278.180-.190, 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 Grayson 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.

Grayson District's application met the minimum filing requirements of KRS 278.023 on May 22, 2012. 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. Grayson District is granted a Certificate of Public Convenience and Necessity for the proposed waterworks improvement project as set forth in its application.
2. Grayson District's proposed plan of financing with RD is accepted.

3. Grayson District is authorized to issue \$525,000 of Grayson County Water District System Revenue Bonds, Series 2013A, with an interest rate not to exceed 2.50 percent per annum and maturing over 40 years.

4. Grayson District is authorized to issue \$900,000 of Grayson County Water District System Revenue Bonds, Series 2013B, with an interest rate not to exceed 2.00 percent per annum and maturing over 40 years.

5. Grayson District shall use the proceeds from the proposed issuance of revenue bonds only for the purposes set forth in its application.

6. Grayson District shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

7. Notwithstanding paragraph 6 of this Order, if surplus funds remain after the approved construction has been completed, Grayson 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 Grayson District's rates for service. Grayson District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

8. Grayson District shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky license, competent 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.

9. Within 60 days of the substantial completion of the construction approved in this Order, Grayson District shall file a copy of the as-built drawings and a certified statement of a licensed professional engineer with a Kentucky registration in civil or

mechanical engineering that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

10. Grayson District shall notify the Commission in writing at least seven days prior to the actual start of construction and at the 50 percent completion point.

11. Within 30 days of the issuance of Grayson County Water District System Revenue Bonds, Series 2013A and Series 2013B, Grayson District shall file with the Commission a copy of all loan documents executed with RD and of the bond resolutions for Series 2013A and Series 2013B.

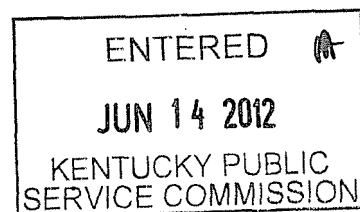
12. The rates set out in the Appendix to this Order are the rates approved for water service that Grayson District renders on and after the date of this Order.

13. Within 30 days of the date of this Order, Grayson District shall file revised tariff sheets with the Commission setting out the rates approved in this Order.

14. Any documents filed pursuant to ordering paragraphs 9 and 11 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:

  
Executive Director

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00198 DATED JUN 14 2012

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

##### 5/8 x 3/4 Inch Meter

|          |         |         |         |                   |
|----------|---------|---------|---------|-------------------|
| First    | 1,500   | gallons | \$17.92 | Minimum bill      |
| Next     | 8,500   | gallons | 8.45    | per 1,000 gallons |
| Next     | 40,000  | gallons | 7.58    | per 1,000 gallons |
| Next     | 100,000 | gallons | 6.71    | per 1,000 gallons |
| All Over | 150,000 | gallons | 5.87    | per 1,000 gallons |

##### 3/4 Inch Meter

|          |         |         |         |                   |
|----------|---------|---------|---------|-------------------|
| First    | 3,000   | gallons | \$30.60 | Minimum bill      |
| Next     | 7,000   | gallons | 8.45    | per 1,000 gallons |
| Next     | 40,000  | gallons | 7.58    | per 1,000 gallons |
| Next     | 100,000 | gallons | 6.71    | per 1,000 gallons |
| All Over | 150,000 | gallons | 5.87    | per 1,000 gallons |

##### 1 Inch Meter

|          |         |         |         |                   |
|----------|---------|---------|---------|-------------------|
| First    | 5,000   | gallons | \$47.50 | Minimum bill      |
| Next     | 5,000   | gallons | 8.45    | per 1,000 gallons |
| Next     | 40,000  | gallons | 7.58    | per 1,000 gallons |
| Next     | 100,000 | gallons | 6.71    | per 1,000 gallons |
| All Over | 150,000 | gallons | 5.87    | per 1,000 gallons |

##### 1 1/2 Inch Meter

|          |         |         |         |                   |
|----------|---------|---------|---------|-------------------|
| First    | 10,000  | gallons | \$89.74 | Minimum bill      |
| Next     | 40,000  | gallons | 7.58    | per 1,000 gallons |
| Next     | 100,000 | gallons | 6.71    | per 1,000 gallons |
| All Over | 150,000 | gallons | 5.87    | per 1,000 gallons |

2 Inch Meter

|          |         |         |          |                   |
|----------|---------|---------|----------|-------------------|
| First    | 16,000  | gallons | \$135.21 | Minimum bill      |
| Next     | 34,000  | gallons | 7.58     | per 1,000 gallons |
| Next     | 100,000 | gallons | 6.71     | per 1,000 gallons |
| All Over | 150,000 | gallons | 5.87     | per 1,000 gallons |

3 Inch Meter

|          |         |         |          |                   |
|----------|---------|---------|----------|-------------------|
| First    | 30,000  | gallons | \$241.31 | Minimum bill      |
| Next     | 20,000  | gallons | 7.58     | per 1,000 gallons |
| Next     | 100,000 | gallons | 6.71     | per 1,000 gallons |
| All Over | 150,000 | gallons | 5.87     | per 1,000 gallons |

4 Inch Meter

|          |         |         |          |                   |
|----------|---------|---------|----------|-------------------|
| First    | 50,000  | gallons | \$392.88 | Minimum bill      |
| Next     | 100,000 | gallons | 6.71     | per 1,000 gallons |
| All Over | 150,000 | gallons | 5.87     | per 1,000 gallons |

6 Inch Meter

|          |         |         |          |                   |
|----------|---------|---------|----------|-------------------|
| First    | 100,000 | gallons | \$728.39 | Minimum bill      |
| Next     | 50,000  | gallons | 6.71     | per 1,000 gallons |
| All Over | 150,000 | gallons | 5.87     | per 1,000 gallons |

8 Inch Meter

|          |         |         |            |                   |
|----------|---------|---------|------------|-------------------|
| First    | 150,000 | gallons | \$1,063.77 | Minimum bill      |
| All Over | 150,000 | gallons | 5.87       | per 1,000 gallons |

10 Inch Meter

|          |         |         |            |                   |
|----------|---------|---------|------------|-------------------|
| First    | 250,000 | gallons | \$1,650.22 | Minimum bill      |
| All Over | 250,000 | gallons | 5.87       | per 1,000 gallons |

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