

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTHERN WATER)	
AND SEWER DISTRICT OF FLOYD AND KNOTT)	
COUNTIES, KENTUCKY, FOR A CERTIFICATE)	CASE NO.
OF PUBLIC CONVENIENCE AND NECESSITY)	2005-00374
TO CONSTRUCT, FINANCE AND INCREASE)	
RATES PURSUANT TO KRS 278.023)	

O R D E R

On September 19, 2005, Southern Water and Sewer District ("Southern Water") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$225,000 waterworks improvement project. This project consists of the installation of a new booster pumping station, a master meter at the Allen Water Treatment Plant, replacement of eight 2-inch meters, and the replacement of a pressure reducing valve at Kentucky Highway 850 and related appurtenances. Project funding includes the issuance of \$225,000 of its Water System Revenue Bonds to the U.S. Department of Agriculture's Rural Development ("RD").

Southern Water'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 September 19, 2005, 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. Southern Water is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

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

3. Southern Water is authorized to issue \$225,000 of Water System Revenue Bonds at an interest rate not to exceed 4.25 percent per annum for 40 years.

4. The proceeds from the loan agreement with RD shall be used only for the purposes specified in Southern Water's application.

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

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

8. Southern Water shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

9. The rates set out in Appendix A, which is 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, Southern Water shall file with the Commission its revised tariffs setting out the rates approved herein.

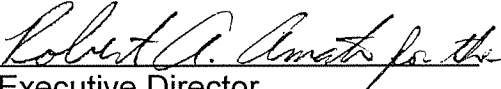
11. Three years from the effective date of this Order, Southern Water shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 14th day of October, 2005.

By the Commission

ATTEST:


Executive Director

Case No. 2005-00374

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2005-00374 DATED OCTOBER 14, 2005

The following rates and charges are prescribed for the customers in the area served by Southern Water and Sewer 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	\$ 16.50 minimum bill
Over 2,000 gallons	5.60 per 1,000 gallons
Wholesale rate to city of Hindman	2.40 per 1,000 gallons