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March 29, 2006

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Chairman  
Knox County Utility Commission  
P. O. Box 8  
Artemus, KY 40903

CERTIFICATE OF SERVICE

RE: Case No. 2006-00096  
Knox County Utility Commission

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on March 29, 2006.

Executive Director

BOD/jc  
Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KNOX COUNTY UTILITY	)	
COMMISSION FOR APPROVAL OF AN INITIAL	)	
TARIFF ESTABLISHING RULES, REGULATIONS,	)	CASE NO. 2006-00096
AND RATES FOR SERVICE OF ITS NEWLY	)	
FORMED SEWER DIVISION	)	

ORDER

Knox County Utility Commission ("Knox Commission") applied for approval of its proposed rate schedules for the provision of sewer service in portions of Knox County, Kentucky. As KRS 278.020(1)<sup>1</sup> requires a person seeking to commence providing utility service to or for the public to obtain a Certificate of Public Convenience and Necessity prior to the commencement of providing such service, the Commission shall also consider Knox Commission's application as an application for such certificate.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that:

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<sup>1</sup> No person, partnership, public or private corporation, or combination thereof shall commence providing utility service to or for the public or begin the construction of any plant, equipment, property, or facility for furnishing to the public any of the services enumerated in KRS 278.010, except retail electric suppliers for service connections to electric-consuming facilities located within its certified territory and ordinary extensions of existing systems in the usual course of business, until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service or construction.

1. Knox Commission, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that produce and distribute water to approximately 2,390 customers in Knox, Bell, and Whitley counties, Kentucky.<sup>2</sup>

2. Knox County Fiscal Court has constructed a sewage collection system to serve the Bimble Area of Knox County, Kentucky. This system consists of 6,600 linear feet of 8-inch gravity sewer main, 10,400 linear feet of 6-inch force main, and a pumping station. The proposed collection system is wholly located within Knox Commission's boundaries.

3. On or before completion of this collection system, all ownership interest in the system will be vested in Knox Commission and Knox Commission will have responsibility for the operation and maintenance of the system.

4. The proposed collection system will connect to sewage collection and treatment facilities that the Barbourville Utility Commission ("BUC") owns and operates. BUC will provide Knox Commission with wholesale wastewater collection and treatment services for a volumetric fee.

5. Estimated total cost of this project is \$872,075.

6. Knox County Fiscal Court is funding the proposed collection system through a PRIDE Initiative Grant.<sup>3</sup>

7. Upon completion of the proposed collection system, Knox Commission will provide sanitary sewer service to the newly constructed Knox Central High School and approximately 30 residential customers.

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<sup>2</sup> Annual Report of Knox County Utility Commission to the Public Service Commission for the Year Ended December 31, 2004 at 27.

<sup>3</sup> Application at 2.

8. The proposed collection system is expected to eliminate 10 straight pipes and 30 failing collection systems.<sup>4</sup>

9. On December 2, 2003, Knox Commission adopted a resolution to create a sewer system.

10. KRS 74.407 authorizes a water district to acquire, develop, maintain and operate sewage disposal systems within the confines of its district.

11. The public convenience and necessity require Knox Commission's proposed provision of sanitary sewer service.

12. Knox Commission's proposed rates for the collection system, which are appended to this Order, are based upon reasonable estimates of the cost of operating the proposed collection system.

13. Knox Commission's proposed rates and regulations are reasonable and should be approved for service rendered on and after April 3, 2006.

14. Upon completion of the proposed collection system and the commencement of the proposed collection system's operation, the rate and service that BUC provides to Knox Commission will be subject to Commission jurisdiction and regulation. See Simpson County Water District v. City of Franklin, 872 S.W.2d 460 (Ky. 1994).

15. Good cause exists to permit Knox Commission to deviate from Administrative Regulation 807 KAR 5:001, Section 8(2), and file only the original and five copies of its application with the Commission.

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<sup>4</sup> See University of Kentucky, UK Pride Assessment Project: Knox County PRIDE Projects at 5 (Mar. 31, 2005), <http://pride.uky.edu/county/Knox/knox.pdf> (last visited Mar. 24, 2006).

IT IS THEREFORE ORDERED that:

1. Good cause exists to permit Knox Commission to deviate from Administrative Regulation 807 KAR 5:001, Section 8(2), and file only the original and five copies of its application with the Commission.

2. Knox Commission is granted a Certificate of Public Convenience and Necessity to provide sanitary sewer service.

3. Knox Commission's proposed rates, which are set forth in Appendix A to this Order, are approved for service rendered on and after April 3, 2006.

4. Knox Commission's proposed tariff sheets are approved for service and are accepted as filed for service rendered on and after April 3, 2006.

5. Thirty days prior to the commencement of service to Knox Commission, BUC shall file with the Commission a copy of all contracts with Knox Commission for the provision of sanitary sewer service and a rate schedule that reflects the rates BUC will assess for such service.

6. The Executive Director shall serve by mail a copy of this Order upon BUC.


7. Knox Commission shall maintain separate accounting records for its water and sewer divisions.

8. Knox Commission shall assign revenues and expenses that are directly assignable to each division shall be so assigned. Knox Commission shall allocate revenues and expenses that are common but not directly assignable to each division on a reasonable basis.

Done at Frankfort, Kentucky, this 29th day of March, 2006.

By the Commission

ATTEST:



Executive Director

