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Mark David Goss  
Chairman

Teresa J. Hill  
Vice Chairman

September 22, 2006

CERTIFICATE OF SERVICE

RE: Case No. 2006-00399  
Gallatin County Water District

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 September 22, 2006.

Executive Director

BOD/sh  
Enclosure



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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GALLATIN COUNTY	)	
WATER DISTRICT, GALLATIN COUNTY,	)	
KENTUCKY, (1) FOR A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY AUTHORIZING	)	
CONSTRUCTION OF MAJOR EXTENSIONS AND	)	CASE NO.
ADDITIONS TO ITS EXISTING MUNICIPAL WATER	)	2006-00399
DISTRIBUTION SYSTEM, (2) SEEKING	)	
APPROVAL OF REVISED WATER SERVICE	)	
RATES AND CHARGES AND (3) SEEKING	)	
APPROVAL OF THE ISSUANCE OF CERTAIN	)	
SECURITIES PURSUANT TO KRS 278.023	)	

O R D E R

On September 1, 2006, Gallatin County Water District ("Gallatin Water") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$1,894,000 improvement project. Project funding includes the issuance of \$1,894,000 of its Water System Revenue Bonds to the U.S. Department of Agriculture's Rural Development ("RD"). The proposed project consists of a 200,000- and a 100,000-gallon elevated water storage tanks; two 68,000-gallon storage tanks; a well with appurtenances; three pump stations; 10,400 feet of 10-inch water line; 1,000 feet of 6-inch water line; and all other appurtenances.

Gallatin 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 1, 2006, 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. Gallatin Water is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

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

3. Gallatin Water is authorized to issue \$1,894,000 of Water System Revenue Bonds at an interest rate not to exceed 5 percent per annum for 40 years.

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

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

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

8. Gallatin 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, Gallatin Water shall file with the Commission its revised tariffs setting out the rates approved herein.

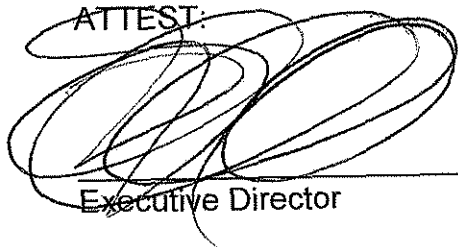
11. Three years from the effective date of this Order, Gallatin Water shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

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 22nd day of September, 2006.

By the Commission

ATTEST:



Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00399 DATED September 22, 2006.

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

First 1,000 Gallons	\$16.60 Minimum Bill
Next 2,000 Gallons	5.80 per 1,000 Gallons
Next 2,000 Gallons	5.50 per 1,000 Gallons
Next 5,000 Gallons	5.20 per 1,000 Gallons
Over 10,000 Gallons	5.00 per 1,000 Gallons

Bulk sales to Kentucky American will be at the bulk rate of \$1.46 per 1,000 gallons. Sales to Kentucky Speedway will be a flat rate equivalent to \$2,917 monthly, or a minimum of \$35,000 annually.

#### Non-Recurring Rates

Meter Connection/Tap-on Charges	
5/8 x 3/4 Inch Meter	\$530.00
All Larger Meters	Actual Cost
Connection/Turn-on Charge	35.00
Connection/Turn-on Charge – After Hours	60.00
Disconnect/Reconnect Charge	70.00
Field Collection Charge	35.00
Late Payment Penalty	10%
Meter Re-read Charge	35.00
Meter Test Charge	60.00
Returned Check Charge	25.00
Service Line Inspection	35.00
Meter Relocation	Actual Cost
Credit Card Payment	2.00