

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KNOTT COUNTY WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO)	2007-00048
CONSTRUCT AND FINANCE PURSUANT TO)	
THE PROVISIONS OF KRS 278.023)	

O R D E R

On February 5, 2007, Knott County Water and Sewer District ("Knott County District") submitted an application for a Certificate of Public Convenience and Necessity to construct and finance a \$10,919,860 waterworks improvement project. This project consists of the construction and installation of approximately 27 miles of 6-inch, 4 miles of 4-inch, and 1 mile of 3-inch water line and appurtenances to provide water service to approximately 238 new customers in addition to 588 existing water users.

Knott County District proposes to finance the construction of the project through (1) a loan issuance of \$100,000 of its Water and Sewer Revenue bonds; (2) a rural Development ("RD") grant in the amount of \$3,419,860; (3) an Appalachian Block Grant in the amount of \$2,000,000; (4) an Environmental Protection Agency ("EPA") grant in the amount of \$1,900,000; and (5) a Kentucky Infrastructure Authority ("KIA") grant in the amount of \$1,900,000.

Knott County District'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 February 5, 2007, 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. Knott County District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Knott County District's proposed plan of financing with RD is accepted.
3. Knott County District is authorized to issue bonds not to exceed \$100,000 of its Water and Sewer Revenue Bonds at an interest rate not exceeding 4.5 percent per annum, maturing over 40 years.
4. The proceeds from the bond issuance shall be used only for the purposes specified in Knott County District's application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Knott County District 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 Knott County District's rates for service. Knott County District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
6. Knott County District 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. Knott County 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), Knott County District shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

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

9. Within 30 days of the date of this Order, Knott County District shall file with the Commission its revised tariffs setting out the rates approved herein.

10. 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.

11. Three years from the effective date of this Order, Knott County District 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 6th day of March, 2007.

By the Commission

ATTEST

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2007-00048 DATED March 6, 2007.

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

3/4" Meter

First	2,000 Gallons	\$ 18.25	Minimum bill
Next	8,000 Gallons	5.63	per 1,000 Gallons
Over	10,000 Gallons	4.55	per 1,000 Gallons

2" Meter

First	15,000 Gallons	\$ 86.04	Minimum bill
Over	15,000 Gallons	4.55	per 1,000 Gallons

Monthly Sewer Rates

3/4" Meter

First	2,000 Gallons	\$ 13.80	Minimum bill
Next	8,000 Gallons	4.38	per 1,000 Gallons
Over	10,000 Gallons	3.42	per 1,000 Gallons

2" Meter

First	15,000 Gallons	\$ 65.94	Minimum bill
Over	15,000 Gallons	3.42	per 1,000 Gallons

Sewer Only Customers

Residential Flat Rate	\$ 26.25	per Month
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