

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LETCHER COUNTY)	
WATER AND SEWER DISTRICT FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY TO CONSTRUCT AND FINANCE)	2007-00070
PURSUANT TO THE PROVISIONS OF KRS)	
278.020 AND KRS 278.023)	

O R D E R

On February 13, 2007, Letcher County Water and Sewer District ("Letcher County District") submitted an application for a Certificate of Public Convenience and Necessity to construct and finance a water project, consisting of extensions, additions, and improvements to the existing water system; an Order approving the proposed plan of financing the project; and an Order approving the assumption of certain outstanding debt of the city of Blackey. The project consists of the construction and installation of approximately 37,500 linear feet of 8-inch water line; 100 linear feet of 6-inch water line; 650 linear feet of 4-inch water line; 550 linear feet of 3-inch water line and appurtenances; the acquisition of the City of Blackey Water Treatment Plant and Distribution System; and the assumption of the outstanding City of Blackey Water System Revenue Bonds, Series 1998, in the original principal amount of \$507,000, with an outstanding balance of \$461,000.

Letcher County District proposes to finance the construction of the project through the issuance of \$1,000,000 of its Waterworks Revenue Bonds; and a Rural Develop ("RD") grant in the amount of \$800,000. Letcher County District has a

commitment from RD to purchase \$1,000,000 of bonds maturing over a 40-year period, at an interest rate not exceeding 4.125 percent per annum. Given that minimum filing requirements were met in this case on February 13, 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. Letcher County District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Letcher County District's proposed plan of financing with RD is accepted.
3. Letcher County District is authorized to issue \$1,000,000 of its Water and Sewer Revenue Bonds at an interest rate not exceeding 4.125 percent per annum, maturing over 40 years.
4. The proceeds from the bond issuance shall be used only for the purposes specified in Letcher County District's application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Letcher 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 Letcher County District's rates for service. Letcher County District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.
6. Letcher County District is authorized to assume the outstanding City of Blackey Water System Revenue Bond, Series 1998, in the original principal amount of \$507,000, with an outstanding balance of \$461,000

7. Letcher 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.

8. Letcher 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), Letcher County District shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

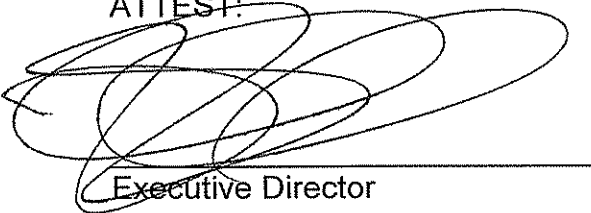
9. Letcher County District shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

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