

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ESTILL COUNTY WATER)	
DISTRICT NO. 1 FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO CONSTRUCT,)	2013-00339
FINANCE AND INCREASE RATES PURSUANT TO)	
KRS 278.023)	

ORDER

Estill County Water District No. 1 (“Estill District”) has applied to the Commission for a Certificate of Public Convenience and Necessity for a waterworks construction project, approval of its plan to finance the proposed project, and an adjustment of rates.

Estill District proposes the installation of approximately 7.5 miles of 3-, 4-, 6-, and 8-inch polyvinyl chloride (“PVC”) water line and appurtenances and two booster pumping stations. The proposed project will replace existing water distribution mains and install new distribution mains to extend water service to two customers in the western portion of Estill County, Kentucky. The total cost of the project, including legal, administrative, engineering design and inspection costs and contingencies, is \$2,360,000.

Estill District proposes to finance the total cost of the proposed construction from proceeds of the issuance and sale of \$1,699,000 of revenue bonds to Rural Development (“RD”), an agency of the U.S. Department of Agriculture, and an RD grant of \$661,000. The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 2.50 percent per annum. Under the proposed rates, the monthly bill of a residential customer who uses 5,000 gallons will increase from \$34.58 to \$40.41, or approximately 16.86 percent.

Estill District has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.180, KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Estill District, or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water district's proposed facilities will result in the wasteful duplication of facilities or excessive investment or that its proposed rates are unfair, unjust, or unreasonable.

Estill District's application met the minimum filing requirements of KRS 278.023 on September 10, 2013. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

IT IS THEREFORE ORDERED that:

1. Estill District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Estill District's proposed plan of financing is accepted.
3. Estill District is authorized to issue \$1,699,000 of its Waterworks Revenue Bonds at an interest rate not exceeding 2.50 percent per annum and maturing over 40 years.

4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Estill District's application.

5. Notwithstanding ordering paragraph 4, if surplus funds remain after the approved construction has been completed, Estill District may use such surplus to construct additional plant facilities, if RD approves of the use and the additional construction will not result in a change in Estill District's rates for service. Estill District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Estill District shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

7. Estill District shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications, and in conformance with the best practices of the construction trades involved in the project.

8. Estill District shall notify the Commission, in writing, one week prior to the actual start of construction and at the 50 percent completion point.

9. The rates set forth in the Appendix to this Order are approved for service that Estill District renders on and after the date of this Order.

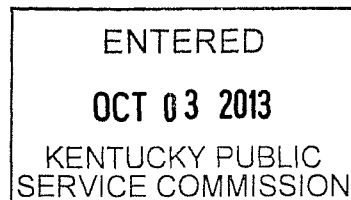
10. Within 30 days of the date of this Order, Estill District shall, using the Commissioner's Electronic Tariff Filing System, file revised tariff sheets with the Commission that set forth the rates contained in the Appendix to this Order.

11. Any documents filed in the future pursuant to ordering paragraphs 5, 6, and 8 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

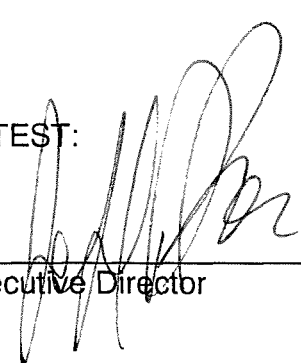
12. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by the Order upon Estill District's showing of good cause for such extension.

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

By the Commission



ATTEST:



Executive Director

Case No. 2013-00339

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00339 DATED **OCT 03 2013**

The following rates and charges are prescribed for the customers in the area served by Estill County Water District No. 1. 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

5/8- x 3/4-Inch Meter

First	2,000	Gallons	\$16.44	Minimum Bill
Next	3,000	Gallons	7.99	Per 1,000 Gallons
Next	5,000	Gallons	7.79	Per 1,000 Gallons
All Over	10,000	Gallons	5.90	Per 1,000 Gallons

1-Inch Meter

First	5,000	Gallons	\$40.41	Minimum Bill
Next	5,000	Gallons	7.79	Per 1,000 Gallons
All Over	10,000	Gallons	5.90	Per 1,000 Gallons

2-Inch Meter

First	16,000	Gallons	\$114.76	Minimum Bill
All Over	16,000	Gallons	5.90	Per 1,000 Gallons

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202