

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE ESTILL COUNTY)	
WATER DISTRICT NO.1 FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2006-00308
CONSTRUCT, FINANCE, AND INCREASE RATES)	
AND CHARGES PURSUANT TO KRS 278.023)	

O R D E R

On June 21, 2006, Estill County Water District No.1 ("Estill District") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$2,778,000 waterworks improvement project. This project consists of the installation of approximately 20 miles of 3-, 4-, and 6-inch waterline and appurtenances to rural areas of Estill County currently not served by a water utility; and construction of a new 250,000-gallon elevated water storage tank, a hydropneumatic water tank, and a booster pump station.

Estill District proposes to finance the construction of the project through (i) the issuance of \$945,000 of its Waterworks Revenue Bonds, Series 2006; (ii) a U.S. Department of Agriculture, Rural Development ("USDA-RD") grant in the amount of \$540,000; (iii) an Appalachian Regional Commission ("ARC") grant in the amount of \$350,000; (iv) a Tobacco Development Fund ("TDF") grant in the amount of \$600,000; (v) a Kentucky Infrastructure Economic Development Fund ("IEDF") grant in the amount of \$318,000; and (vi) an Applicant contribution in the amount of \$25,000. The \$945,000 loan is for a 40-year period with an interest rate not to exceed 4.125 percent per annum. Estill 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 July 3, 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. Estill District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Estill District's proposed plan of financing with RD is accepted.
3. Estill District is authorized to borrow \$945,000 at an interest rate not exceeding 4.125 percent per annum for 40 years.
4. The proceeds from the 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 facility 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 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. Estill 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), Estill District shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

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

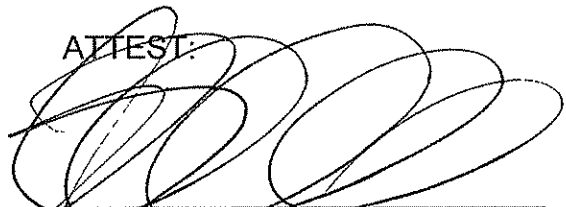
11. Three years from the effective date of this Order, Estill District shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

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 18th day of July, 2006.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2006-00308 DATED July 18, 2006.

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.

<u>5/8" X 3/4" Inch Meter</u>	
First 2,000	\$13.06 Minimum Bill
Next 3,000	6.24 per 1,000 gallons
Next 5,000	6.07 per 1,000 gallons
Over 10,000	4.35 per 1,000 gallons
<u>1" Inch Meter</u>	
First 5,000	\$31.80 Minimum Bill
Next 5,000	6.07 per 1,000 gallons
Over 10,000	4.35 per 1,000 gallons
<u>2" Inch Meter</u>	
First 16,000	\$88.24 Minimum Bill
Over 16,000	4.35 per 1,000 gallons

A \$4.81 per month surcharge is added to the minimum bill for all Cobhill customers.

Bulk Loading Station	\$4.89 per 1,000 gallons
Bulk Meter Sales to Powell's Valley	\$2.45 per 1,000 gallons

<u>Other Charges</u>	
Late Payment Penalty	10%
Delinquent Account Disconnect	\$25.00
Connection Charge 5/8" X 3/4"	\$660.00
All other meters – actual cost of installation	
Reconnection Charge	\$25.00
Returned Check Charge	\$25.00
Field Collection Charge	\$15.00
Meter Reread Charge	\$15.00
Service Call / Investigation	\$15.00
Meter Test Request	\$15.00
Damage to Meter Setting or Lid – actual cost	