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Mark David Goss  
Chairman

Teresa J. Hill  
Vice Chairman

August 16, 2006

CERTIFICATE OF SERVICE

RE: Case No. 2006-00358  
Western Rockcastle Water Association, Inc.

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 August 16, 2006.

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Executive Director

BOD/sh  
Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WESTERN	)	
ROCKCASTLE WATER ASSOCIATION, INC., OF	)	
ROCKCASTLE, LINCOLN, GARRARD AND	)	CASE NO.
PULASKI COUNTIES FOR A CERTIFICATE OF	)	2006-00358
PUBLIC CONVENIENCE AND NECESSITY TO	)	
CONSTRUCT, FINANCE AND INCREASE RATES	)	
PURSUANT TO KRS 278.023	)	

O R D E R

On July 20, 2006, Western Rockcastle Water Association ("Western Rockcastle") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$575,000 waterworks improvement project. This project consists of the installation of approximately 8 miles of 4-inch and 3-inch water transmission mains, a new pressure reducing station, an upgrade to an existing pressure reducing station, and related appurtenances. This project will provide new potable water service to approximately 48 customers. Project funding includes the issuance of a \$125,000 Promissory Note to the U.S. Department of Agriculture's Rural Development ("RD"), a \$125,000 grant from RD, a \$250,000 grant from the Appalachian Regional Commission, a Tobacco Development Fund grant in the amount of \$63,000, and a contribution from the applicant in the amount of \$12,000.

Western Rockcastle'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 20, 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. Western Rockcastle is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. Western Rockcastle's proposed plan of financing with RD is accepted.

3. Western Rockcastle is authorized to issue a \$125,000 Promissory Note at an interest rate not to exceed 4.50 percent per annum for 40 years.

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

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

6. Western Rockcastle 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. Western Rockcastle 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), Western Rockcastle shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

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


11. Three years from the effective date of this Order, Western Rockcastle 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 16th day of August, 2006.

By the Commission

ATTEST:

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and flourishes, positioned above a horizontal line.

Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00358 DATED August 16, 2006.

The following rates and charges are prescribed for the customers in the area served by Western Rockcastle Water Association, Inc. 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" Meter

First	2,000 gallons	\$16.90	Minimum bill
Next	3,000 gallons	6.25	per 1,000 gallons
Next	5,000 gallons	5.89	per 1,000 gallons
Next	15,000 gallons	5.25	per 1,000 gallons
Over	25,000 gallons	4.45	per 1,000 gallons

##### 1" Meter

First	5,000 gallons	\$36.65	Minimum bill
Next	5,000 gallons	5.89	per 1,000 gallons
Next	15,000 gallons	5.25	per 1,000 gallons
Over	25,000 gallons	4.45	per 1,000 gallons

##### 1 1/2" Meter

First	10,000 gallons	\$65.10	Minimum bill
Next	15,000 gallons	5.25	per 1,000 gallons
Over	25,000 gallons	4.45	per 1,000 gallons

##### 2" Meter

First	25,000 gallons	\$143.85	Minimum bill
Over	25,000 gallons	4.45	per 1,000 gallons