



Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Christopher L. Lilly
Commissioner
Department of Public Protection

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

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Commissioner

November 21, 2006

CERTIFICATE OF SERVICE

RE: Case No. 2006-00435
Grayson County Water District

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 November 21, 2006.

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

Executive Director

BOD/sh
Enclosure



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Edwin Nichols
Chairman
Grayson County Water District
113 S. Lee Street
P. O. Box 217
Leitchfield, KY 42754

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Grayson County Water District

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRAYSON COUNTY WATER)
DISTRICT FOR AN ADJUSTMENT OF GENERAL) CASE NO. 2006-00435
RATES PURSUANT TO KRS 278.023)

ORDER

Grayson County Water District ("Grayson District") has moved to reopen Case No. 2005-00358¹ to modify the Commission's Order of September 29, 2005 to reflect revisions in the terms of an agreement between Grayson District and Rural Development regarding a construction project.² More specifically, Grayson District seeks Commission authorization to adjust its rates for water service to comply with the provisions in its revised agreement with Rural Development, an agency of the U.S. Department of Agriculture.

Grayson District has entered into an agreement with Rural Development to finance the construction of a \$2.5 million waterworks improvement project. This project involves the construction of 6 miles of 8-inch and 6-inch water mains; a booster pumping station; a 500,000-gallon ground water storage tank; a 500,000-gallon

¹ Case No. 2005-00358, The Application of Grayson County Water District for a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant to KRS 278.023 (Ky. PSC Sep. 29, 2005).

² While Grayson District has moved to reopen Case No. 2005-00358, the Commission will consider the motion as an application for approval of the proposed rates pursuant to KRS 278.023 and for incorporation of the record of that proceeding into this proceeding. After filing its motion on September 29, 2006, Grayson District subsequently amended that motion to reflect additional revisions in its agreement with Rural Development. Rural Development imposed these revisions October 16, 2006.

elevated water storage tank; a 100,000-gallon ground water storage tank; and related appurtenances.

The project will be financed through the issuance of Water System Revenue Bonds to Rural Development in the amount of \$1,350,000; a grant of \$650,000 from Rural Development; a grant of \$400,000 from the Kentucky Infrastructure Authority; and applicant contributions of \$100,000.

On September 29, 2005, the Commission issued a Certificate of Public Convenience and Necessity to Grayson District for the proposed water improvements project³ and authorized the issuance of Water System Revenue Bonds. On August 29, 2006, Rural Development amended its original Letter of Conditions to require adjustments in Grayson District's rates to ensure sufficient revenues to cover the water district's increased operation and maintenance expenses and debt service requirements. On October 16, 2006, Rural Development issued a second amendment that corrected certain errors in its initial amendment and required a different schedule of rates.⁴

Grayson District's present application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the U.S.

³ As of the date of this Order, Grayson District has completed construction of all proposed improvements. See Letter from Matthew Baker, Professional Engineer, Cann-Tech, LLC to Michael F. Burford, Director of Filings, Kentucky Public Service Commission (Oct. 3, 2006).

⁴ Although the proposed improvements have been constructed, no revenue bonds have as of yet been issued to Rural Development, nor have the parties executed their loan agreement. Grayson District is required to meet all conditions in the Letter of Conditions, including any amendments, for the financing agreement to close.

Department of Agriculture and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of minimum filing requirements. Given that the minimum filing requirements were met on October 23, 2006,⁵ 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. The record of Case No. 2006-00435 is incorporated by reference into the record of this proceeding.
2. The rates set forth in Appendix A to this Order are approved for service that Grayson District renders on and after the date of this Order.
3. Within 30 days of the date of this Order, Grayson District shall file with the Commission its revised tariff sheets setting out the rates approved in this Order.

Done at Frankfort, Kentucky, this 21st day of November, 2006.

By the Commission

ATTEST:



Executive Director

⁵ The Commission notes that Grayson District has published notice of the proposed rates set forth in the First Amendment to the Letter of Conditions, but not those contained in the Second Amendment. As the rates set forth in the Second Amendment do not differ significantly from those in the First Amendment, the Commission finds that Grayson District has substantially complied with the requirements of Administrative Regulation 807 KAR 5:069, Section 2.

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00435 DATED November 21, 2006.

The following rates and charges are prescribed for the customers in the area served by Grayson County Water 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.

5/8" x 3/4" Meter

| | | | |
|----------|---------|---------|------------------------|
| First | 1,500 | Gallons | \$15.28 Minimum Bill |
| Next | 8,500 | Gallons | 7.23 per 1,000 Gallons |
| Next | 40,000 | Gallons | 6.48 per 1,000 Gallons |
| Next | 100,000 | Gallons | 5.73 per 1,000 Gallons |
| All Over | 150,000 | Gallons | 5.00 per 1,000 Gallons |

3/4" Meter

| | | | |
|----------|---------|---------|------------------------|
| First | 3,000 | Gallons | \$26.13 Minimum Bill |
| Next | 7,000 | Gallons | 7.23 per 1,000 Gallons |
| Next | 40,000 | Gallons | 6.48 per 1,000 Gallons |
| Next | 100,000 | Gallons | 5.73 per 1,000 Gallons |
| All Over | 150,000 | Gallons | 5.00 per 1,000 Gallons |

1" Meter

| | | | |
|----------|---------|---------|------------------------|
| First | 5,000 | Gallons | \$40.59 Minimum Bill |
| Next | 5,000 | Gallons | 7.23 per 1,000 Gallons |
| Next | 40,000 | Gallons | 6.48 per 1,000 Gallons |
| Next | 100,000 | Gallons | 5.73 per 1,000 Gallons |
| All Over | 150,000 | Gallons | 5.00 per 1,000 Gallons |

1 1/2" Meter

| | | | |
|----------|---------|---------|------------------------|
| First | 10,000 | Gallons | \$76.74 Minimum Bill |
| Next | 40,000 | Gallons | 6.48 per 1,000 Gallons |
| Next | 100,000 | Gallons | 5.73 per 1,000 Gallons |
| All Over | 150,000 | Gallons | 5.00 per 1,000 Gallons |

2" Meter

| | | | |
|----------|---------|---------|------------------------|
| First | 16,000 | Gallons | \$115.62 Minimum Bill |
| Next | 34,000 | Gallons | 6.48 per 1,000 Gallons |
| Next | 100,000 | Gallons | 5.73 per 1,000 Gallons |
| All Over | 150,000 | Gallons | 5.00 per 1,000 Gallons |

3" Meter

| | | | |
|----------|---------|---------|------------------------|
| First | 30,000 | Gallons | \$206.34 Minimum Bill |
| Next | 20,000 | Gallons | 6.48 per 1,000 Gallons |
| Next | 100,000 | Gallons | 5.73 per 1,000 Gallons |
| All Over | 150,000 | Gallons | 5.00 per 1,000 Gallons |

4" Meter

| | | | |
|----------|---------|---------|------------------------|
| First | 50,000 | Gallons | \$335.94 Minimum Bill |
| Next | 100,000 | Gallons | 5.73 per 1,000 Gallons |
| All Over | 150,000 | Gallons | 5.00 per 1,000 Gallons |

6" Meter

| | | | |
|----------|---------|---------|------------------------|
| First | 100,000 | Gallons | \$622.44 Minimum Bill |
| Next | 50,000 | Gallons | 5.73 per 1,000 Gallons |
| All Over | 150,000 | Gallons | 5.00 per 1,000 Gallons |

8" Meter

| | | | |
|----------|---------|---------|------------------------|
| First | 150,000 | Gallons | \$908.94 Minimum Bill |
| All Over | 150,000 | Gallons | 5.00 per 1,000 Gallons |

10" Meter

| | | | |
|----------|---------|---------|-------------------------|
| First | 250,000 | Gallons | \$1,408.94 Minimum Bill |
| All Over | 250,000 | Gallons | 5.00 per 1,000 Gallons |