

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE WESTERN MASON )  
COUNTY WATER DISTRICT, A DISTRICT )  
ORGANIZED PURSUANT TO CHAPTER 74 OF )  
THE KENTUCKY REVISED STATUTES, IN MASON )  
COUNTY, KENTUCKY, FOR (1) A CERTIFICATE )  
OF PUBLIC CONVENIENCE AND NECESSITY, )  
AUTHORIZING AND PERMITTING SAID )  
WESTERN MASON COUNTY WATER DISTRICT )  
TO CONSTRUCT WATER DISTRIBUTION )  
SYSTEM IMPROVEMENTS, CONSISTING OF THE )  
CONSTRUCTION OF EXTENSIONS, ADDITIONS )  
AND IMPROVEMENTS TO THE DISTRICT'S )  
WATER SYSTEM; (2) THE APPROVAL OF THE )  
PROPOSED PLAN OF FINANCING SAID )  
IMPROVEMENTS; AND (3) AN INCREASE IN THE )  
RATES AND CHARGES FOR WATER SERVICE )  
PROVIDED BY WESTERN MASON COUNTY )  
WATER DISTRICT. )

CASE NO.  
2007-00318

O R D E R

On July 19, 2007, Western Mason County Water District ("Western Mason District") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$2,425,000 waterworks improvement project. This project consists of the construction and installation of approximately seven miles of water lines; a 105,000-gallon water storage tank; a 148,000-gallon water storage tank; two pump stations; and renovation of the existing water treatment plant.

Western Mason District proposes to finance the construction of the project through a United States Department of Agriculture Rural Development ("RD") loan in the amount of \$1,401,000 for issuance of its Water Revenue Bonds Series 2007 maturing

over a period of 40 years at an interest rate of 4.375 percent per annum; an RD grant in the amount of \$500,000; a Kentucky Infrastructure Authority Tobacco Settlement Grant in the amount of \$520,000; and new user tap-on charges in the amount of \$4,000.

Western Mason 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 19, 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. Western Mason District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Western Mason District's proposed plan of financing with RD is accepted.
3. Western Mason District is authorized to issue bonds not to exceed \$1,401,000 of its Water Revenue Bonds Series 2007 at an interest rate not exceeding 4.375 percent per annum, maturing over 40 years.
4. The proceeds from the bond issuance shall be used only for the purposes specified in Western Mason District's application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, Western Mason 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 Western Mason District's rates for service. Western Mason District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

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

8. Western Mason District shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

9. Within 30 days of the date of this Order, Western Mason District shall file with the Commission its revised tariffs setting out the rates approved herein.

10. 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.

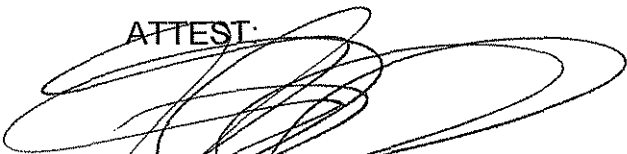
11. Three years from the effective date of this Order, Western Mason District shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

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 3rd day of August, 2007.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2007-00318 DATED August 3, 2007

The following rates and charges are prescribed for the customers in the area served by Western Mason 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.

Monthly Water Rates

First	2,000 Gallons	\$ 25.00	Minimum Bill
Next	8,000 Gallons	3.55	per 1,000 Gallons
All Over	10,000 Gallons	3.00	per 1,000 Gallons
Bulk User Rate		3.75	per 1,000 Gallons