

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE AND APPLICATION OF KENTON COUNTY)
WATER DISTRICT NO. 1 TO CONSTRUCT AN)
EXTENSION TO SERVE APPROXIMATELY 175) CASE NO.
CUSTOMERS, AND TO INSTITUTE A SURCHARGE) 94-409
UNDER KRS 278.023 WITH NO CHANGE IN BASIC)
WATER RATES, IN SUB-DISTRICT B)

O R D E R

On November 23, 1994, Kenton County Water District No. 1 ("Kenton District") applied for a Certificate of Public Convenience and Necessity to construct a \$1,878,500 waterworks improvement project, authority to adjust its water service rates, and all other Orders necessary to implement its agreement with the Rural Development Administration ("RDA") - an agency of the U.S. Department of Agriculture. The proposed project is to be financed in part with the issuance of bonds in the amount of \$1,621,000 to the RDA.

Kenton District's application is filed pursuant to KRS 278.023 which requires the Commission to accept agreements between water districts 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 the minimum filing requirements were met in this case on November 23, 1994, KRS 278.023 does not grant the

Commission any discretionary authority to modify or reject any portion of this agreement.

Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. The proposed project will provide water service to approximately 175 persons in the southeastern sector of Kenton County, Kentucky.

2. Total project cost is \$1,878,500.

3. The proposed project will be financed from the following sources: the proceeds of the sale of revenue bonds to the RDA (\$1,621,000); an interest free loan from Kenton County Fiscal Court (\$50,000); tap-on fees (\$39,500); and proceeds of a Community Development Block Grant (\$168,000).

4. Under an agreement between RDA and Kenton District, RDA has agreed to purchase \$1,621,000 of revenue bonds. The bonds will mature over a 40-year period and have an interest rate of 5.5 percent per annum.

5. The agreement further specifies minimum rates which Kenton District shall charge. These rates are set forth in Appendix A of this Order.

6. The agreement between RDA and Kenton District does not specify the rates which Kenton District has proposed in its application nor does it require that Kenton District assess a surcharge to its customers within Sub-District B.

7. Kenton District is not a party to the agreement involving the Community Development Block Grant nor does that agreement

require Kenton District to charge any specific rate to Sub-District B customers.

8. As the rates which Kenton District has proposed in its application, including the proposed surcharge, are not required by its agreement with RDA, KRS 278.023 does not require Commission approval of those rates. To obtain approval of these rates, Kenton District must follow the procedures set forth in KRS 278.180 and 278.190. As it has not, its proposed rates should be denied.

IT IS THEREFORE ORDERED that:

1. Kenton District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. Kenton District is authorized to issue revenue bonds not to exceed \$1,621,000 to be held or insured by RDA.

3. Kenton District is authorized to borrow \$50,000 from Kenton County Fiscal Court under the terms set forth in its application.

4. Kenton 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 proposed construction project.

5. The rates which Kenton District proposed in its application are denied.

6. The rates set out in Appendix A are the rates approved for service rendered on and after the date of this Order to Kenton District customers located within Sub-District B.


7. Kenton District shall submit its revised tariff sheets reflecting the rates in Appendix A within 30 days of the date of this Order.

8. Kenton District shall monitor the adequacies of the expanded water distribution system after the completion of construction. If the level of service is inadequate or declining or the pressure to any customer falls outside the requirements of 807 KAR 5:066, Section 5(1), Kenton District shall take immediate action to bring the system into compliance with Commission regulations.

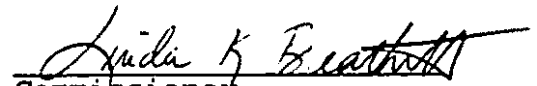
Nothing contained in this Order shall be deemed a guarantee or warranty by the Commonwealth of Kentucky, or any agency thereof, of the securities or evidences of indebtedness authorized herein.

Done at Frankfort, Kentucky, this 16th day of December, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 94-409 DATED December 16, 1994

The following rates and charges are prescribed for the customers in the area served by Kenton County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES FOR SUB-DISTRICT B

| | | | |
|-------|----------------------|---------|--------------------|
| First | 600 Cubic Feet | \$10.79 | Minimum Bill |
| Next | 4,400 Cubic Feet | 1.54 | per 100 Cubic Feet |
| Next | 495,000 Cubic Feet | 1.33 | per 100 Cubic Feet |
| Next | 1,500,000 Cubic Feet | 1.08 | per 100 Cubic Feet |
| Over | 2,000,000 Cubic Feet | .80 | per 100 Cubic Feet |