

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MOUNTAIN WATER	)	
DISTRICT OF PIKE COUNTY, KENTUCKY, FOR A	)	
CERTIFICATE OF PUBLIC CONVENIENCE AND	)	CASE NO.
NECESSITY TO CONSTRUCT, FINANCE AND	)	2004-00194
INCREASE RATES PURSUANT TO KRS 278.023	)	

O R D E R

On May 24, 2004, Mountain Water District ("Mountain Water") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$5,490,000 sewer system improvement project. On June 9, 2004, the Commission received an amendment to Mountain Water's application stating that the application erroneously contained the request for a rate increase, and that no such rate increase is necessary or requested at this time. The project consists of the extension of the wastewater collection system to the communities of Robinson Creek, Douglas, Penny, Penny Highway and Virgie. Also included in this project is the rehabilitation of the existing wastewater treatment plant located at Douglas.

Mountain Water proposes to finance the construction of the project through the issuance of \$740,000 of its Sewer System Revenue Bonds, Series 2004; a PRIDE grant in the amount of \$500,000; a grant from the United States Department of Agriculture, acting through Rural Development ("RD"), in the amount of \$370,000; an Appalachian Regional Commission ("ARC") grant in the amount of \$480,000; Environmental Protection Agency ("EPA") grant in the amount of \$2,200,000; a Coal Severance ("LGEDF") grant in the amount of \$800,000; and an applicant contribution in the amount

of \$400,000. Mountain Water has a commitment from RD to purchase said \$740,000 of bonds maturing over a 40-year period, at an interest rate not exceeding 4.5 percent per annum.

Mountain Water's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water utilities and the USDA 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 June 9, 2004, 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. Mountain Water is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Mountain Water's proposed plan of financing is accepted.
3. Mountain Water is authorized to issue Sewer System Revenue Bonds, Series 2004 in the amount of \$740,000 maturing over 40 years and at an interest rate not exceeding 4.5 percent per annum.
4. The proceeds from the revenue bond issuance shall be used only for the purposes specified in the utility's application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, the utility 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 the utility's rates for service. The utility shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Mountain Water 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 certificated herein.

7. Mountain Water shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

8. Three years from the effective date of this Order, Mountain Water shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the proposed water rates are sufficient to meet its operating expenses and annual debt service requirements.

9. Mountain Water 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 Administrative Regulation 807 KAR 5:066, Section 5(1), Mountain Water shall take immediate action to maintain the level of service in conformance with the regulations of the Commission.

Nothing contained herein shall be deemed a warranty on the part of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 24<sup>th</sup> day of June, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Executive Director

Case No. 2004-00194