

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WESTERN LEWIS- )  
RECTORVILLE WATER DISTRICT, MASON AND )  
LEWIS COUNTIES, KENTUCKY, (1) FOR A )  
CERTIFICATE OF PUBLIC CONVENIENCE AND )  
NECESSITY AUTHORIZING CONSTRUCTION )  
OF MAJOR WATER SERVICE IMPROVEMENTS )  
AND ADDITIONS TO ITS COMBINED WATER )  
AND GAS DISTRIBUTION SYSTEM, (2) SEEKING )  
APPROVAL OF REVISED WATER SERVICE )  
RATES AND CHARGES, AND (3) SEEKING )  
APPROVAL OF THE ISSUANCE OF CERTAIN )  
SECURITIES )

CASE NO.  
2007-00197

O R D E R

On May 16, 2007, Western Lewis-Rectorville Water District ("Lewis-Rectorville") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$3,400,300 waterworks improvement project. This project consists of the installation of approximately 38 miles of 10-inch through 3-inch water transmission mains, a telemetry system upgrade, a 300,000-gallon elevated water storage tank and related appurtenances to provide new potable water service to approximately 172 customers. Project funding consists of an \$712,000 loan from the U.S. Department of Agriculture's Rural Development ("RD"); a grant from RD in the amount of \$325,000; an Appalachian Regional Commission grant of \$400,000; a Kentucky Infrastructure Authority 2020 grant of \$500,000; a 2003 Tobacco Development Fund ("TDF") Industrial Park Tank grant of \$200,000; a 2005 TDF Lewis and Mason Counties grant of \$823,000; a TDF Lewis County Fiscal Court grant of

\$100,000; an Infrastructure for Economic Development Fund grant of \$250,000; and a contribution from the applicant in the amount of \$90,300.

Lewis-Rectorville'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 May 16, 2007, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.<sup>1</sup>

IT IS THEREFORE ORDERED that:

1. Lewis-Rectorville is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Lewis-Rectorville's proposed plan of financing with RD is accepted.
3. Lewis-Rectorville is authorized to issue its RD loan in the amount of \$712,000 at an interest rate not exceeding 4.5 percent per annum, maturing over 40 years.

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<sup>1</sup> In examining the terms of the agreement as set out in the RD letter dated January 17, 2006, Page 9 Paragraph 28, Rates and Charges, the conditions set forth therein contain both a change in water and gas rates. The engineering information filed with the Application (Exhibits A & B) indicates that the project (Phase IV) consists only of water line extensions and water system improvements. Lewis-Rectorville's Application requests only a change in water rates. The notice given to customers, likewise, only contained a change in water rates. Since Lewis-Rectorville has met the minimum filing requirements we will grant the request for a change in water rates as contained in the Application without modifying or rejecting any portion of the agreement.

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

5. Lewis-Rectorville 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.

6. Lewis-Rectorville 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), Lewis-Rectorville shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

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

8. 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.

9. Within 30 days of the date of this Order, Lewis-Rectorville shall file with the Commission its revised tariffs setting out the rates approved herein.

10. Three years from the effective date of this Order, Lewis-Rectorville 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 14<sup>th</sup> day of June, 2007.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2007-00197 DATED June 14, 2007

The following rates and charges are prescribed for the customers in the area served by Western Lewis-Rectorville 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

5/8 x 3/4 Inch Meter

First	1,000	Gallons	\$ 14.50	Minimum Bill
Next	4,000	Gallons	5.00	Per 1,000 Gallons
All Over	5,000	Gallons	3.75	Per 1,000 Gallons