

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MCCREARY COUNTY)
WATER DISTRICT FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY TO) CASE NO. 2008-00138
CONSTRUCT, FINANCE, AND INCREASE)
RATES PURSUANT TO KRS 278.023.)

ORDER

On April 15, 2008, McCreary County Water District ("McCreary District") applied for a Certificate of Public Convenience and Necessity to construct a \$1,040,000 waterworks improvement project and for approval of its plan of financing for this project. This project consists of the installation of approximately 15,520 linear feet of 6-inch water transmission mains, two master meter vaults, pump station upgrades, a pressure reducing valve and pit replacement, and related appurtenances to provide a reliable source of potable water to the Cumberland Falls State Park and the Riverwoods Environmental Center located along Kentucky 90 in McCreary and Whitley counties.¹ Project funding includes the issuance of \$150,000 of Waterworks Revenue Bonds to the U.S. Department of Agriculture's Rural Development ("RD"), a \$390,000 grant from RD, and Appalachian Regional Commission grant in the amount of \$500,000.

¹ While McCreary County Water District refers to the bonds to be issued as "water revenue bonds," RD has expressly conditioned its purchase of the bonds and the issuance of the grant upon McCreary County Water District's bond resolution containing "a combined pledge of water and sewer revenues." Letter from Keith Slone, RD State Director, to Raymond Taylor, Chairman, McCreary County Water District (April 2, 2008).

McCreary 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 April 15, 2008, 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. McCreary District is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. McCreary District's proposed plan of financing with RD is accepted.
3. McCreary District is authorized to issue its Waterworks Revenue Bonds from the RD loan in the amount of \$150,000 at an interest rate not exceeding 4.125 percent per annum, maturing over 40 years.
4. The proceeds from the loan agreement with RD shall be used only for the purposes specified in McCreary District's application.
5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, McCreary 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 McCreary District's rates for service. McCreary District shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

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

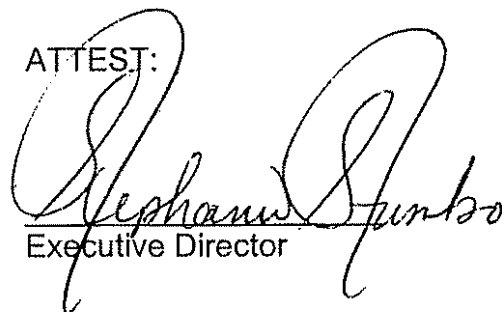
8. McCreary District shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

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 15th day of May, 2008.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00138 DATED May 15, 2008

The following rates and charges are prescribed for the customers in the area served by McCreary 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

Residential and Non-Residential Rates:

First	2,000 Gallons	\$15.55 Minimum Bill
All over	2,000 Gallons	5.75 Per 1,000 Gallons

Federal Correction Facility Rates:

First	1,950,000 Gallons	\$11,212.00 Minimum Bill
All over	1,950,000 Gallons	5.75 Per 1,000 Gallons

Riverwoods Rates:

First	450,000 Gallons	\$1,860.00 Minimum Bill
All over	450,000 Gallons	5.75 Per 1,000 Gallons

Cumberland Falls State Park Rates:

First	600,000 Gallons	\$2,600.00 Minimum Bill
All over	600,000 Gallons	3.48 Per 1,000 Gallons

Whitley County Water District Rate:	\$3.48 Per 1,000 Gallons
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Oneida, Tennessee Rate:	\$3.48 Per 1,000 Gallons
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Monthly Sewer Rates

Residential and Non-Residential Rates:

First	2,000 Gallons	\$12.25 Minimum Bill
Next	8,000 Gallons	5.64 Per 1,000 Gallons
Next	10,000 Gallons	4.85 Per 1,000 Gallons
All over	20,000 Gallons	4.25 Per 1,000 Gallons

Federal Correctional Facility Rates:

First	1,300,000 Gallons	\$5,520.00 Minimum Bill
All over	1,300,000 Gallons	5.75 Per 1,000 Gallons