

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SANDY HOOK WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY TO)	2013-00379
CONSTRUCT, FINANCE AND INCREASE RATES)	
PURSUANT TO KRS 278.023)	

ORDER

Sandy Hook Water District, (“Sandy Hook”) has applied to the Commission for a Certificate of Public Convenience and Necessity for a waterworks construction project, approval of its plan to finance the proposed project, and an adjustment of rates.

Sandy Hook proposes to install approximately 14,738 linear feet of 2-, 3-, 4-, and 6-inch water distribution main, a new groundwater well, an upgrade to its existing telemetry system, a water-system flushing device, interior/exterior tank inspections, and approximately 300 radio read water meters. Included in the proposed project¹ is the extension of water service to approximately 13 new customers in Elliott County, Kentucky. The total cost of the project, including legal, engineering design and inspection costs, construction and equipment costs, miscellaneous costs, and contingencies, is \$915,000.

Sandy Hook proposes to finance the total cost of the proposed construction from proceeds of the issuance and sale of \$504,000 of revenue bonds to Rural Development (“RD”), an agency of the U.S. Department of Agriculture, along with an RD grant of

¹ The Water Resource Information System has designated the proposed project as Project No. WX21063010.

\$336,000, and an appropriation of \$75,000 from the Kentucky General Assembly.² The proposed bonds will mature over a 40-year period and accrue interest at a rate not to exceed 2.75 percent per annum. Under the proposed rates, the monthly bill of a residential customer who uses 5,000 gallons will increase from \$37.46 to \$52.20, or approximately 39.35 percent.

Sandy Hook has submitted its application pursuant to KRS 278.023. Notwithstanding KRS 278.020(1), KRS 278.180, KRS 278.190, and KRS 278.300, KRS 278.023 requires the Commission to accept agreements between water districts and RD regarding construction projects, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements.

KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of the agreement between RD and Sandy Hook, or to defer the issuance of all necessary orders to implement the terms of that agreement. It further denies the Commission any authority to reject an application when the evidence of record indicates that a water district's proposed facilities will result in the wasteful duplication of facilities or excessive investment or that its proposed rates are unfair, unjust, or unreasonable.

Sandy Hook's application met the minimum filing requirements of KRS 278.023 on October 25, 2013. The Commission, therefore, is not able to review this application using the same standards that are used for applications that are not filed pursuant to KRS 278.023.

² 2012 Ky. Acts, Ch. 144.

IT IS THEREFORE ORDERED that:

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

2. Sandy Hook's proposed plan of financing is accepted.

3. Sandy Hook is authorized to issue \$504,000 of its Waterworks Revenue Bonds at an interest rate not exceeding 2.75 percent per annum maturing over 40 years.

4. The proceeds from the proposed bond issuance shall be used only for the purposes specified in Sandy Hook's application.

5. Notwithstanding ordering paragraph 4, if surplus funds remain after the approved construction has been completed, Sandy Hook may use such surplus to construct additional plant facilities if RD approves of the use and the additional construction will not result in a change in Sandy Hook's rates for service. Sandy Hook shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Sandy Hook shall file a copy of the "as-built" drawings and a certified statement from the engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of substantial completion of the construction certified herein.

7. Sandy Hook shall require the construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications, and in conformance with the best practices of the construction trades involved in the project.

8. Sandy Hook shall notify the Commission, in writing, one week prior to the actual start of construction and at the 50 percent completion point.

9. The rates set forth in the Appendix to this Order are approved for service that Sandy Hook renders on and after the date of this Order.

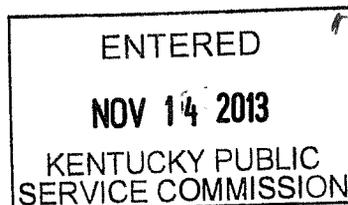
10. Within 30 days of the date of this Order, Sandy Hook shall, using the Commissioner's Electronic Tariff Filing System, file revised tariff sheets with the Commission that set forth the rates contained in the Appendix to this Order.

11. Any documents filed in the future pursuant to ordering paragraphs 5, 6, and 8 of this Order shall reference this case number and shall be retained in the utility's general correspondence file.

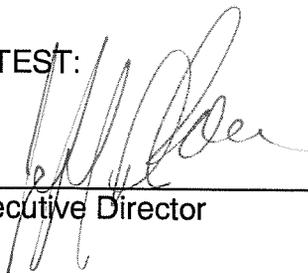
12. The Executive Director is delegated authority to grant reasonable extensions of time for filing of any documents required by this Order upon Sandy Hook's showing of good cause for such extension.

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

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00379 DATED NOV 14 2013

The following rates and charges are prescribed for the customers in the area served by Sandy Hook 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.

5/8-Inch X 3/4-Inch Meter

First	2,000	\$24.00	Minimum Bill
Next	9,000	9.40	Per 1,000 Gallons
Next	40,000	8.40	Per 1,000 Gallons
Over	50,000	7.40	Per 1,000 Gallons

1-Inch Meter

First	5,000	\$52.20	Minimum Bill
Next	5,000	9.40	Per 1,000 Gallons
Next	40,000	8.40	Per 1,000 Gallons
Over	50,000	7.40	Per 1,000 Gallons

1 1/2-Inch Meter

First	10,000	\$99.20	Minimum Bill
Next	40,000	8.40	Per 1,000 Gallons
Over	50,000	7.40	Per 1,000 Gallons

2-Inch Meter

First	20,000	\$183.20	Minimum Bill
Next	30,000	8.40	Per 1,000 Gallons
Over	50,000	7.40	Per 1,000 Gallons

3-Inch Meter

First	30,000	\$267.20	Minimum Bill
Next	20,000	8.40	Per 1,000 Gallons
Over	50,000	7.40	Per 1,000 Gallons

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