

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MCKINNEY WATER)
DISTRICT OF LINCOLN AND CASEY COUNTIES,)
KENTUCKY, FOR A CERTIFICATE OF PUBLIC) CASE NO.
CONVENIENCE AND NECESSITY, TO CONSTRUCT,) 92-430
FINANCE AND INCREASE RATES PURSUANT TO)
THE PROVISIONS OF KRS 278.023)

O R D E R

On October 7, 1992, McKinney Water District ("McKinney District") filed an application for a Certificate of Public Convenience and Necessity to construct a \$1,083,000 waterworks improvement project. Also included in McKinney District's application was a request for approval to borrow \$306,800 to extinguish the existing obligations of McKinney Water Association (the "Association"). McKinney District also requested approval of its plan of financing for this project, and for adjustments to its water service rates. This project will provide service to 78 additional customers. Project funding includes a \$537,000 loan from the Farmers Home Administration ("FmHA"), a \$514,000 grant from FmHA, and \$32,300 from applicants for service in the proposed project area. The loan will be for a 40-year period at an interest rate of 5 percent per annum.

In Case No. 8974¹, final Order dated October 9, 1984, the Commission approved and ordered the merger of the Association into McKinney District. In Case No. 9633², final Order dated August 6, 1986, the Commission approved a contract of sale and purchase which specified the terms under which McKinney District would acquire the Association's assets and liabilities. After Case No. 9633 was closed the Commission received no further information regarding the status of the merge, and thus, initiated Case No. 91-058³ to further investigate the status of the McKinney District/Association ordered merger.

As a result of approval of the application in this proceeding McKinney District will acquire the funds with which to purchase the assets of the Association and retire the Association's outstanding financial obligations. After closing McKinney District will have completed the ordered merger and the Association will be dissolved as a separate legal entity. (As the merger will have been completed, the Commission is issuing simultaneously an Order closing the investigation in Case No. 91-058.)

¹ Case No. 8974, The Proposed Merger of the McKinney Water District and the McKinney Water Association, Lincoln County, Kentucky.

² Case No. 9633, The Joint Application of the McKinney Water District of Lincoln County, Kentucky, and McKinney Water Association, Inc., of Lincoln County, Kentucky, for Approval of a "Contract of Sale and Purchase" Providing for the Purchase by Said District of the Waterworks System of Said Association, Subject to Certain Existing Encumbrances Against Said System.

³ Case No. 91-058, The Investigation of the Status of McKinney Water Association and McKinney Water District.

McKinney District's application was made pursuant to KRS 278.023, which requires the Commission to accept agreements between water districts and FmHA 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 October 7, 1992, 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. McKinney District is hereby granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. McKinney District's proposed plan of financing with FmHA is accepted.

3. McKinney 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 certificated herein.

4. 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.

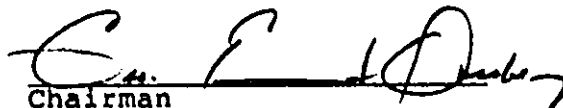
5. McKinney District shall submit its revised tariff setting out the rates in Appendix A within 30 days of the date of this Order.

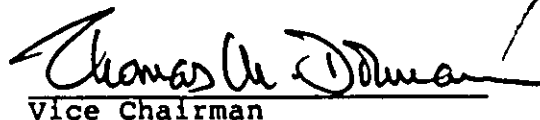
6. McKinney District shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer falls outside the requirements of 807 KAR 5:066, Section 5(1), McKinney District shall take immediate action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

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 6th day of November, 1992.

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. 92-430 DATED November 6, 1992

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

Monthly Rates

First 1,000 gallons	\$10.66 Minimum Bill
Next 2,000 gallons	3.75 per 1,000 gallons
Next 7,000 gallons	3.20 per 1,000 gallons
All Over 10,000 gallons	2.60 per 1,000 gallons