

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HYDEN-LESLIE COUNTY)	
WATER DISTRICT FOR A CERTIFICATE OF)	CASE NO.
PUBLIC CONVENIENCE AND NECESSITY TO)	2010-00384
CONSTRUCT, FINANCE AND INCREASE RATES)	
PURSUANT TO KRS 278.023)	

O R D E R

On September 29, 2010, Hyden-Leslie County Water District (“Hyden-Leslie”) submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$10,400,000 waterworks construction project. The proposed project consists of a 1,500,000-gallon-per-day water treatment plant expansion; installation of approximately 1,700 linear feet of 16-inch polyvinyl chloride (“PVC”) and 7,500 linear feet of 12-inch PVC transmission main and appurtenances; and construction of a 1,000,000-gallon water storage tank. Project funding includes the issuance of \$3,050,000 of Waterworks Revenue Bonds, Series 2010, consisting of \$1,094,000 of Series A Bonds and \$1,956,000 of Series B Bonds; two USDA Rural Development (“RD”) grants in the amounts of \$600,000 and \$1,100,000; two Appalachian Regional Commission grants in the amounts of \$400,000 and \$200,000; a Community Development Block grant in the amount of \$1,000,000; a 2005 Coal Bond grant in the amount of \$1,000,000; a 2007 Coal Bond grant in the amount of \$750,000; two Coal Severance grants in the amounts of \$850,000 and \$450,000; and an applicant contribution in the amount of \$1,000,000. Hyden-Leslie has a commitment from RD to purchase said \$1,094,000 of Series A Bonds maturing over a

40-year period at an interest rate not to exceed 4.375 percent per annum, and said \$1,956,000 of Series B Bonds maturing over a 40-year period at an interest rate not to exceed 2.375 percent per annum.

Hyden-Leslie'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 September 29, 2010, 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. Hyden-Leslie is granted a Certificate of Public Convenience and Necessity for the proposed construction project.
2. Hyden-Leslie's proposed plan of financing is accepted.
3. Hyden-Leslie is authorized to issue \$1,094,000 of Waterworks Revenue Series A Bonds at an interest rate not to exceed 4.375 percent per annum for 40 years and \$1,956,000 of Series B Bonds at an interest rate not to exceed 2.375 percent per annum for 40 years.
4. The proceeds from the issuance of revenue bonds shall be used only for the purposes specified in Hyden-Leslie's application.
5. Notwithstanding Ordering paragraph 4, if surplus funds remain after the approved construction has been completed, Hyden-Leslie may use such surplus to

construct additional plant facility if RD approves of the use and if the additional construction will not result in a change in Hyden-Leslie's rates for service. Hyden-Leslie shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. Hyden-Leslie shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky licensure, competent 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.

7. Hyden-Leslie shall file a copy of the "as-built" drawings and a certified statement by the engineer 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.

8. Hyden-Leslie shall monitor the adequacies of the expanded system after construction.

9. Hyden-Leslie shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

10. The rates set out in the Appendix, which is attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.

11. Within 30 days of the date of this Order, Hyden-Leslie shall file its revised tariffs with the Commission setting out the rates approved herein.

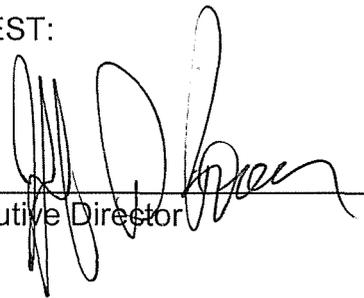
12. Three years from the effective date of this Order, Hyden-Leslie shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

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

By the Commission

ENTERED *M*
OCT 29 2010
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2010-00384 DATED **OCT 29 2010**

The following rates and charges are prescribed for the customers in the area served by Hyden-Leslie 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.

Residential

First	2,000 Gallons	\$ 20.24	Minimum Bill
Next	3,000 Gallons	5.62	Per 1,000 Gallons
Next	5,000 Gallons	4.45	Per 1,000 Gallons
Next	15,000 Gallons	3.63	Per 1,000 Gallons
Next	25,000 Gallons	3.16	Per 1,000 Gallons
Next	50,000 Gallons	2.69	Per 1,000 Gallons
Next	100,000 Gallons	2.22	Per 1,000 Gallons
Over	200,000 Gallons	1.76	Per 1,000 Gallons

Commercial

First	2,000 Gallons	\$ 30.36	Minimum Bill
Next	3,000 Gallons	8.43	Per 1,000 Gallons
Next	5,000 Gallons	6.68	Per 1,000 Gallons
Next	15,000 Gallons	5.45	Per 1,000 Gallons
Next	25,000 Gallons	4.74	Per 1,000 Gallons
Next	50,000 Gallons	4.04	Per 1,000 Gallons
Next	100,000 Gallons	3.33	Per 1,000 Gallons
Over	200,000 Gallons	2.64	Per 1,000 Gallons

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