



Lexington Financial Center
250 West Main Street, Suite 1600
Lexington, Kentucky 40507-1746
859.233.2012
Fax: 859.259.0649

James H. Newberry, Jr.
859.288.7621
jnewberry@wyattfirm.com

RECEIVED

September 10, 2004

SEP 13 2004

PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RE: Berea College Utility Department, Case No. 2004-00331

Dear Ms. O'Donnell:

Thank you for your letter of September 9 confirming that our application meets the minimum filing requirements. We look forward to working with your staff to meet the expedited review deadlines imposed by statute.

Subsequent to our filing, I have learned that Exhibit 1 to Chris Bowling's Direct Testimony (Exhibit "R" to the Application) was inadvertently omitted. An original and ten copies of that exhibit are enclosed. I would appreciate your staff inserting this exhibit in the file and in the binders which were delivered to your office on September 3. We regret any inconvenience, but we appreciate your assistance in adding the exhibit.

Sincerely yours,

James H. Newberry, Jr.

JHN:sc

- cc: Gerald E. Wuetcher, Esq. (w/o enc.)
- David Spenard, Esq. (w/ enc.)
- Judge B. Wilson, II, Esq. (via hand delivery w/ enc.)
- J.T. Gilbert, Esq. (w/ enc.)
- Noelle M. Holladay, Esq. (via hand delivery)

30335263.3

www.wyattfirm.com

250 West Main Street, Suite 1600
Lexington, KY 40507-1746
859.233.2012

918 State Street
Bowling Green, KY 42101
270.842.1050

1715 Aaron Brenner Drive, Suite 800
Memphis, TN 38120-4367
901.537.1000

500 West Jefferson Street, Suite 2800
Louisville, KY 40202-2898
502.589.5235

311 West Main Street
Frankfort, KY 40601-1807
502.223.2104

2525 West End Avenue, Suite 1500
Nashville, TN 37203-1423
615.244.0020

101 West Spring Street, Suite 500
New Albany, IN 47150-3610
812.945.3561

CITY OF BEREA (KENTUCKY) SEWER SYSTEM
 BEREA COLLEGE UTILITY SYSTEM (WATER & ELECTRIC)

HISTORICAL AND PROFORMA REVENUES AVAILABLE FOR DEBT SERVICE

	For the Period Ending June 30,				
	2001	2002	2003	Proforma 2004	Proforma 2005
NET INCOME					
Berea Sewer System (1)	\$603,119	\$310,691	\$281,852	\$281,852	\$281,852
Berea College Utility System	804,858 (2)	514,744 (2)	683,500 (2)	1,763,364 (2)	1,918,060 (3)
ADD BACK					
Berea Sewer System (1)					
Depreciation	471,740	484,779	485,468	485,468	485,468
Interest expense and amortization	66,284	52,324	37,290	37,290	37,290
Berea College Utility System					
Depreciation	612,820	651,058	654,790	706,960	704,000
Interest expense and amortization	1,022,180	907,930	806,635	0	0
Total revenues available for debt service	<u>3,581,001</u>	<u>2,921,526</u>	<u>2,949,535</u>	<u>3,274,934</u>	<u>3,426,670</u>
Max. Annual projected debt service					
Kentucky Infrastructure Authority (4)				276455	276455
Series 2004 City of Berea Utility Bonds (5)				1449932	1449932
				<u>1,726,387</u>	<u>1,726,387</u>

PARITY AND SUBORDINATE DEBT SERVICE COVERAGE

1.90 1.98

Sources: City of Berea and Berea College audited financial statements. Work & Greer PC Compilation of Berea College Utilities Combined Proforma Revenues and Available Cashflows.

Notes:

- (1) Held constant in 2004 and 2005 for presentation purposes.
- (2) Excludes operating cost not expected to be incurred by the City on a proforma basis.
- (3) Excludes projected interest expense.
- (4) Subordinate debt. Preliminary and provided by the Kentucky Infrastructure Authority. See attached schedule for details.
- (5) Parity debt. Preliminary and provided by Hilliard Lyons.

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 PUBLIC SERVICE
 COMMISSION

KENTUCKY INFRASTRUCTURE AUTHORITY REPAYMENT SCHEDULE LOAN #A A04-04 BEREA, CITY OF PRELIMINARY										
Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
								\$5,000,000.00		
1.00% Rate \$138,227.59 P & I Calculation										
06/01/06	\$113,227.59	\$25,000.00	1.00%	\$138,227.59	\$5,000.00	\$0.00	\$143,227.59	\$4,886,772.41	\$0.00	\$0.00
12/01/06	\$113,793.73	\$24,433.86	1.00%	\$138,227.59	\$4,886.77	\$0.00	\$143,114.37	\$4,772,978.68	\$25,000.00	\$25,000.00
06/01/07	\$114,362.70	\$23,864.89	1.00%	\$138,227.59	\$4,772.98	\$0.00	\$143,000.57	\$4,658,615.98	\$0.00	\$25,000.00
12/01/07	\$114,934.51	\$23,293.08	1.00%	\$138,227.59	\$4,658.62	\$0.00	\$142,886.21	\$4,543,681.46	\$25,000.00	\$50,000.00
06/01/08	\$115,509.19	\$22,718.41	1.00%	\$138,227.59	\$4,543.68	\$0.00	\$142,771.27	\$4,428,172.28	\$0.00	\$50,000.00
12/01/08	\$116,086.73	\$22,140.86	1.00%	\$138,227.59	\$4,428.17	\$0.00	\$142,655.77	\$4,312,085.54	\$25,000.00	\$75,000.00
06/01/09	\$116,667.17	\$21,560.43	1.00%	\$138,227.59	\$4,312.09	\$0.00	\$142,539.68	\$4,195,418.38	\$0.00	\$75,000.00
12/01/09	\$117,250.50	\$20,977.09	1.00%	\$138,227.59	\$4,195.42	\$0.00	\$142,423.01	\$4,078,167.88	\$25,000.00	\$100,000.00
06/01/10	\$117,836.75	\$20,390.84	1.00%	\$138,227.59	\$4,078.17	\$0.00	\$142,305.76	\$3,960,331.12	\$0.00	\$100,000.00
12/01/10	\$118,425.94	\$19,801.66	1.00%	\$138,227.59	\$3,960.33	\$0.00	\$142,187.92	\$3,841,905.19	\$25,000.00	\$125,000.00
06/01/11	\$119,018.07	\$19,209.53	1.00%	\$138,227.59	\$3,841.91	\$0.00	\$142,069.50	\$3,722,887.12	\$0.00	\$125,000.00
12/01/11	\$119,613.16	\$18,614.44	1.00%	\$138,227.59	\$3,722.89	\$0.00	\$141,950.48	\$3,603,273.96	\$25,000.00	\$150,000.00
06/01/12	\$120,211.22	\$18,016.37	1.00%	\$138,227.59	\$3,603.27	\$0.00	\$141,830.87	\$3,483,062.74	\$0.00	\$150,000.00
12/01/12	\$120,812.28	\$17,415.31	1.00%	\$138,227.59	\$3,483.06	\$0.00	\$141,710.66	\$3,362,250.46	\$25,000.00	\$175,000.00
06/01/13	\$121,416.34	\$16,811.25	1.00%	\$138,227.59	\$3,362.25	\$0.00	\$141,589.84	\$3,240,834.12	\$0.00	\$175,000.00
12/01/13	\$122,023.42	\$16,204.17	1.00%	\$138,227.59	\$3,240.83	\$0.00	\$141,468.43	\$3,118,810.69	\$25,000.00	\$200,000.00
06/01/14	\$122,633.54	\$15,594.05	1.00%	\$138,227.59	\$3,118.81	\$0.00	\$141,346.40	\$2,996,177.15	\$0.00	\$200,000.00
12/01/14	\$123,246.71	\$14,980.89	1.00%	\$138,227.59	\$2,996.18	\$0.00	\$141,223.77	\$2,872,930.45	\$25,000.00	\$225,000.00
06/01/15	\$123,862.94	\$14,364.65	1.00%	\$138,227.59	\$2,872.93	\$0.00	\$141,100.52	\$2,749,067.51	\$0.00	\$225,000.00
12/01/15	\$124,482.26	\$13,745.34	1.00%	\$138,227.59	\$2,749.07	\$0.00	\$140,976.66	\$2,624,585.25	\$25,000.00	\$250,000.00
06/01/16	\$125,104.67	\$13,122.93	1.00%	\$138,227.59	\$2,624.59	\$0.00	\$140,852.18	\$2,499,480.58	\$0.00	\$250,000.00
12/01/16	\$125,730.19	\$12,497.40	1.00%	\$138,227.59	\$2,499.48	\$0.00	\$140,727.07	\$2,373,750.39	\$0.00	\$250,000.00
06/01/17	\$126,358.84	\$11,868.75	1.00%	\$138,227.59	\$2,373.75	\$0.00	\$140,601.34	\$2,247,391.55	\$0.00	\$250,000.00
12/01/17	\$126,990.64	\$11,236.96	1.00%	\$138,227.59	\$2,247.39	\$0.00	\$140,474.98	\$2,120,400.92	\$0.00	\$250,000.00
06/01/18	\$127,625.59	\$10,602.00	1.00%	\$138,227.59	\$2,120.40	\$0.00	\$140,347.99	\$1,992,775.33	\$0.00	\$250,000.00
12/01/18	\$128,263.72	\$9,963.88	1.00%	\$138,227.59	\$1,992.78	\$0.00	\$140,220.37	\$1,864,511.61	\$0.00	\$250,000.00
06/01/19	\$128,905.04	\$9,322.56	1.00%	\$138,227.59	\$1,864.51	\$0.00	\$140,092.10	\$1,735,606.58	\$0.00	\$250,000.00
12/01/19	\$129,549.56	\$8,678.03	1.00%	\$138,227.59	\$1,735.61	\$0.00	\$139,963.20	\$1,606,057.02	\$0.00	\$250,000.00
06/01/20	\$130,197.31	\$8,030.29	1.00%	\$138,227.59	\$1,606.06	\$0.00	\$139,833.65	\$1,475,859.71	\$0.00	\$250,000.00
12/01/20	\$130,848.29	\$7,379.30	1.00%	\$138,227.59	\$1,475.86	\$0.00	\$139,703.45	\$1,345,011.41	\$0.00	\$250,000.00
06/01/21	\$131,502.54	\$6,725.06	1.00%	\$138,227.59	\$1,345.01	\$0.00	\$139,572.60	\$1,213,508.88	\$0.00	\$250,000.00
12/01/21	\$132,160.05	\$6,067.54	1.00%	\$138,227.59	\$1,213.51	\$0.00	\$139,441.10	\$1,081,348.83	\$0.00	\$250,000.00
06/01/22	\$132,820.85	\$5,406.74	1.00%	\$138,227.59	\$1,081.35	\$0.00	\$139,308.94	\$948,527.98	\$0.00	\$250,000.00
12/01/22	\$133,484.95	\$4,742.64	1.00%	\$138,227.59	\$948.53	\$0.00	\$139,176.12	\$815,043.03	\$0.00	\$250,000.00
06/01/23	\$134,152.38	\$4,075.22	1.00%	\$138,227.59	\$815.04	\$0.00	\$139,042.64	\$680,890.65	\$0.00	\$250,000.00
12/01/23	\$134,823.14	\$3,404.45	1.00%	\$138,227.59	\$680.89	\$0.00	\$138,908.48	\$546,067.51	\$0.00	\$250,000.00
06/01/24	\$135,497.26	\$2,730.34	1.00%	\$138,227.59	\$546.07	\$0.00	\$138,773.66	\$410,570.25	\$0.00	\$250,000.00
12/01/24	\$136,174.74	\$2,052.85	1.00%	\$138,227.59	\$410.57	\$0.00	\$138,638.16	\$274,395.51	\$0.00	\$250,000.00
06/01/25	\$136,855.62	\$1,371.98	1.00%	\$138,227.59	\$274.40	\$0.00	\$138,501.99	\$137,539.89	\$0.00	\$250,000.00
12/01/25	\$137,539.89	\$687.70	1.00%	\$138,227.59	\$137.54	\$0.00	\$138,365.13	(\$0.00)	\$0.00	\$250,000.00
Totals	\$5,000,000.00	\$529,103.73		\$5,529,103.73	\$105,820.75	\$0.00	\$5,634,924.48		\$250,000.00	
Created by KIA on 18/25/04										

**CITY OF BEREA (KENTUCKY) SEWER SYSTEM
BEREA COLLEGE UTILITY SYSTEM (WATER & ELECTRIC)**

HISTORICAL AND PROFORMA REVENUES AVAILABLE FOR DEBT SERVICE

	For the Period Ending June 30,				
	2001	2002	2003	Proforma 2004	Proforma 2005
NET INCOME					
Berea Sewer System (1)	\$603,119	\$310,691	\$281,852	\$281,852	\$281,852
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ADD BACK					
Berea Sewer System (1)					
Depreciation	471,740	484,779	485,468	485,468	485,468
Interest expense and amortization	66,284	52,324	37,290	37,290	37,290
Berea College Utility System					
Depreciation	612,820	651,058	654,790	706,960	704,000
Interest expense and amortization	1,022,180	907,930	806,635	0	0
Total revenues available for debt service	<u>3,581,001</u>	<u>2,921,526</u>	<u>2,949,535</u>	<u>3,274,934</u>	<u>3,426,670</u>
Max. Annual projected debt service					
Kentucky Infrastructure Authority (4)				276455	276455
Series 2004 City of Berea Utility Bonds (5)				1449932	1449932
				<u>1,726,387</u>	<u>1,726,387</u>
PARITY AND SUBORDINATE DEBT SERVICE COVERAGE				1.90	1.98

Sources: City of Berea and Berea College audited financial statements. Work & Greer PC Compilation of Berea Collage Utilities Combined Proforma Revenues and Available Cashflows.

Notes:

- (1) Held constant in 2004 and 2005 for presentation purposes.
- (2) Excludes operating cost not expected to be incurred by the City on a proforma basis.
- (3) Excludes projected interest expense.
- (4) Subordinate debt. Preliminary and provided by the Kentucky Infrastructure Authority. See attached schedule for details.
- (5) Parity debt. Preliminary and provided by Hilliard Lyons.

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PUBLIC SERVICE
COMMISSION

KENTUCKY INFRASTRUCTURE AUTHORITY										
REPAYMENT SCHEDULE										
LOAN # A04-04										
BEREA, CITY OF										
PRELIMINARY										
1.00% Rate										
\$138,227.59 P & I Calculation										
Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
06/01/06	\$113,227.59	\$25,000.00	1.00%	\$138,227.59	\$5,000.00	\$0.00	\$143,227.59	\$5,000.00	\$0.00	\$0.00
12/01/06	\$113,793.73	\$24,433.86	1.00%	\$138,227.59	\$4,886.77	\$0.00	\$143,114.37	\$4,886,772.41	\$0.00	\$0.00
06/01/07	\$114,362.70	\$23,864.89	1.00%	\$138,227.59	\$4,772.98	\$0.00	\$143,000.57	\$4,772,978.68	\$25,000.00	\$25,000.00
12/01/07	\$114,934.51	\$23,293.08	1.00%	\$138,227.59	\$4,658.62	\$0.00	\$142,886.21	\$4,658,615.98	\$0.00	\$25,000.00
06/01/08	\$115,509.19	\$22,718.41	1.00%	\$138,227.59	\$4,543.68	\$0.00	\$142,771.27	\$4,543,681.46	\$25,000.00	\$50,000.00
12/01/08	\$116,086.73	\$22,140.86	1.00%	\$138,227.59	\$4,428.17	\$0.00	\$142,655.77	\$4,428,172.28	\$0.00	\$50,000.00
06/01/09	\$116,667.17	\$21,560.43	1.00%	\$138,227.59	\$4,312.09	\$0.00	\$142,539.68	\$4,312,085.54	\$25,000.00	\$75,000.00
12/01/09	\$117,250.50	\$20,977.09	1.00%	\$138,227.59	\$4,195.42	\$0.00	\$142,423.01	\$4,195,418.38	\$0.00	\$75,000.00
06/01/10	\$117,836.75	\$20,390.84	1.00%	\$138,227.59	\$4,078.17	\$0.00	\$142,305.76	\$4,078,167.88	\$25,000.00	\$100,000.00
12/01/10	\$118,425.94	\$19,801.66	1.00%	\$138,227.59	\$3,960.33	\$0.00	\$142,187.92	\$3,960,331.12	\$0.00	\$100,000.00
06/01/11	\$119,018.07	\$19,209.53	1.00%	\$138,227.59	\$3,841.91	\$0.00	\$142,069.50	\$3,841,905.19	\$25,000.00	\$125,000.00
12/01/11	\$119,613.16	\$18,614.44	1.00%	\$138,227.59	\$3,722.89	\$0.00	\$141,950.48	\$3,722,887.12	\$0.00	\$125,000.00
06/01/12	\$120,211.22	\$18,016.37	1.00%	\$138,227.59	\$3,603.27	\$0.00	\$141,830.87	\$3,603,273.96	\$25,000.00	\$150,000.00
12/01/12	\$120,812.28	\$17,415.31	1.00%	\$138,227.59	\$3,483.06	\$0.00	\$141,710.66	\$3,483,062.74	\$0.00	\$150,000.00
06/01/13	\$121,416.34	\$16,811.25	1.00%	\$138,227.59	\$3,362.85	\$0.00	\$141,589.84	\$3,362,250.46	\$25,000.00	\$175,000.00
12/01/13	\$122,023.42	\$16,204.17	1.00%	\$138,227.59	\$3,240.83	\$0.00	\$141,468.43	\$3,240,834.12	\$0.00	\$175,000.00
06/01/14	\$122,633.54	\$15,594.05	1.00%	\$138,227.59	\$3,118.81	\$0.00	\$141,346.40	\$3,118,810.69	\$25,000.00	\$200,000.00
12/01/14	\$123,246.71	\$14,980.89	1.00%	\$138,227.59	\$2,996.18	\$0.00	\$141,223.77	\$2,996,177.15	\$0.00	\$200,000.00
06/01/15	\$123,862.94	\$14,364.65	1.00%	\$138,227.59	\$2,872.93	\$0.00	\$141,100.52	\$2,872,930.45	\$25,000.00	\$225,000.00
12/01/15	\$124,482.26	\$13,745.34	1.00%	\$138,227.59	\$2,749.07	\$0.00	\$140,976.66	\$2,749,067.51	\$0.00	\$225,000.00
06/01/16	\$125,104.67	\$13,122.93	1.00%	\$138,227.59	\$2,624.59	\$0.00	\$140,852.18	\$2,624,585.25	\$25,000.00	\$250,000.00
12/01/16	\$125,730.19	\$12,497.40	1.00%	\$138,227.59	\$2,499.48	\$0.00	\$140,727.07	\$2,499,480.58	\$0.00	\$250,000.00
06/01/17	\$126,358.84	\$11,868.75	1.00%	\$138,227.59	\$2,373.75	\$0.00	\$140,601.34	\$2,373,750.39	\$0.00	\$250,000.00
12/01/17	\$126,990.64	\$11,236.96	1.00%	\$138,227.59	\$2,247.39	\$0.00	\$140,474.98	\$2,247,391.55	\$0.00	\$250,000.00
06/01/18	\$127,625.59	\$10,602.00	1.00%	\$138,227.59	\$2,120.40	\$0.00	\$140,347.99	\$2,120,400.92	\$0.00	\$250,000.00
12/01/18	\$128,263.72	\$9,963.88	1.00%	\$138,227.59	\$1,992.78	\$0.00	\$140,220.37	\$1,992,775.33	\$0.00	\$250,000.00
06/01/19	\$128,905.04	\$9,322.56	1.00%	\$138,227.59	\$1,864.51	\$0.00	\$140,092.10	\$1,864,511.61	\$0.00	\$250,000.00
12/01/19	\$129,549.56	\$8,678.03	1.00%	\$138,227.59	\$1,735.61	\$0.00	\$139,963.20	\$1,735,606.58	\$0.00	\$250,000.00
06/01/20	\$130,197.31	\$8,030.29	1.00%	\$138,227.59	\$1,606.06	\$0.00	\$139,833.65	\$1,606,057.02	\$0.00	\$250,000.00
12/01/20	\$130,848.29	\$7,379.30	1.00%	\$138,227.59	\$1,475.86	\$0.00	\$139,703.45	\$1,475,859.71	\$0.00	\$250,000.00
06/01/21	\$131,502.54	\$6,725.06	1.00%	\$138,227.59	\$1,345.01	\$0.00	\$139,572.60	\$1,345,011.41	\$0.00	\$250,000.00
12/01/21	\$132,160.05	\$6,067.54	1.00%	\$138,227.59	\$1,213.51	\$0.00	\$139,441.10	\$1,213,508.88	\$0.00	\$250,000.00
06/01/22	\$132,820.85	\$5,406.74	1.00%	\$138,227.59	\$1,081.35	\$0.00	\$139,308.94	\$948,527.98	\$0.00	\$250,000.00
12/01/22	\$133,484.95	\$4,742.64	1.00%	\$138,227.59	\$948.53	\$0.00	\$139,176.12	\$815,043.03	\$0.00	\$250,000.00
06/01/23	\$134,152.38	\$4,075.22	1.00%	\$138,227.59	\$815.04	\$0.00	\$139,042.64	\$680,890.65	\$0.00	\$250,000.00
12/01/23	\$134,823.14	\$3,404.45	1.00%	\$138,227.59	\$680.89	\$0.00	\$138,908.48	\$546,067.51	\$0.00	\$250,000.00
06/01/24	\$135,497.26	\$2,730.34	1.00%	\$138,227.59	\$546.07	\$0.00	\$138,773.66	\$410,570.25	\$0.00	\$250,000.00
12/01/24	\$136,174.74	\$2,052.85	1.00%	\$138,227.59	\$410.57	\$0.00	\$138,638.16	\$274,395.51	\$0.00	\$250,000.00
06/01/25	\$136,855.62	\$1,371.98	1.00%	\$138,227.59	\$274.40	\$0.00	\$138,501.99	\$137,539.89	\$0.00	\$250,000.00
12/01/25	\$137,539.89	\$687.70	1.00%	\$138,227.59	\$137.54	\$0.00	\$138,365.13	(\$0.00)	\$0.00	\$250,000.00
Totals	\$5,000,000.00	\$529,103.73		\$5,529,103.73	\$105,820.75	\$0.00	\$5,634,924.48		\$250,000.00	
Created by KIA on 18/25/04										

First Class Mail

RECEIVED

13 2004

POSTAL SERVICE
COMMUNICATIONS

WYATT
WYATT, FARRANT & COMBS, LLP
250 West Main Street, Suite 1600
Lexington, KY 40507-1746

TO:

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

