

2007-00448

Berger, Cox & Nienaber

John A. Berger
Darrell A. Cox
Thomas R. Nienaber

ATTORNEYS AND COUNSELORS AT LAW
401 Madison Avenue Covington, Kentucky 41011
(859) 491-9088 Fax (859) 491-9854

Gregory N. Schabell
R. Leslie Knight
Bryan C. Berger

October 10, 2007

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

RECEIVED
OCT 15 2007
PUBLIC SERVICE
COMMISSION

Re: Bullock Pen Water District
Surcharge Adjustment Application

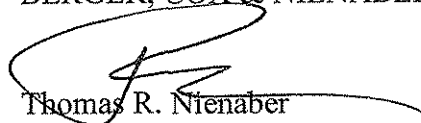
Dear Ms. O'Donnell:

Enclosed please find an Application for Adjustment of Surcharges filed on behalf of my client, Bullock Pen Water District. Please file the enclosed and return a file-stamped copy to my office.

Thanking you in advance for your cooperation in this matter, I remain,

Very truly yours,

BERGER, COX & NIENABER


Thomas R. Nienaber

TRN/csb
Enclosure

cc: Bullock Pen Water District, Attn: Chairman Bobby Burgess
Public Service Commission, Tariff Division, Mr. Brent Kirtley

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
OCT 15 2007
PUBLIC SERVICE
COMMISSION

IN RE: THE MATTER OF:

APPLICATION OF BULLOCK PEN WATER)
DISTRICT TO ADJUST SURCHARGE)
ASSESSMENT)

CASE NO. 2002-00015 - old case #

2007-00448 - new case #


Comes now the Bullock Pen Water District ("District") through its Chairman, Bobby Burgess, and respectfully requests of the Public Service Commission ("PSC") for an Order reducing the monthly surcharge assessed to customers in the Phase V Project ("Project") from \$15.00 per month to \$10.00. In support of this Application, the District states as follows:

1. By Order of the PSC dated March 18, 2002 (attached), the District was permitted to assess a \$15.00 per customer per month surcharge ("Surcharge") in order to finance, in part, a waterworks improvement project (the "Project").
2. Pursuant to paragraph 11 of the Order approving the assessment of the Surcharge, the District is permitted to adjust the amount of the Surcharge after five years upon showing good cause to the PSC.
3. The District, with the assistance of its accountants, Morris & Bressler, P.S.C, has re-evaluated the amount of the Surcharge assessed. Based upon the addition of customers since the initial construction of the Project, sufficient revenues are being received which would warrant a reduction in the Surcharge from \$15.00 to \$10.00 per month. In support of this request, the District incorporates herein the financial analysis supporting such reduction and identified as Exhibit "A".
4. The reduction in the Surcharge is reasonable and in the best interest of the District and its customers currently serviced by the Project.

WHEREFORE, the District prays as follows:

That the Project Surcharge of \$15.00 per month per customer be reduced to \$10.00 per month per customer.

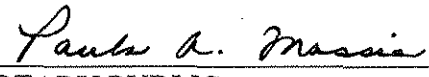
BULLOCK PEN WATER DISTRICT

BY: 
BOBBY BURGESS, CHAIRMAN

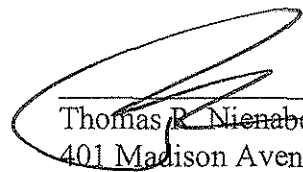
COMMONWEALTH OF KENTUCKY

COUNTY OF GRANT

SUBSCRIBED, SWORN TO AND ACKNOWLEDGED before me by the said BOBBY BURGESS, Chairman of the Bullock Pen Water District this 11th day of October, 2007.


NOTARY PUBLIC
MY COMMISSION EXPIRES: 9-15-2011

BERGER, COX & NIENABER, P.S.C.


Thomas R. Nienaber - KBA#51820
401 Madison Avenue
Covington, KY 41011
(859) 491-9088

CERTIFICATE OF SERVICE

I, Thomas R. Nienaber, do hereby certify that a copy of the foregoing was mailed by regular U.S. Mail, postage prepaid, this 12 day of October, 2007 to:

Mr. Greg D. Stumbo
The Office of the Attorney General
1024 Capital Center Drive
Frankfort, KY 40601-8204

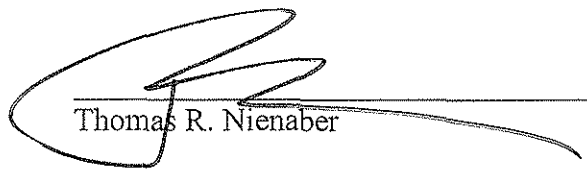

Thomas R. Nienaber

EXHIBIT "A"

Bullock Pen Water District
Case Number 2002-00015
Adjustment of Surcharge Amount

The current Phase V Surcharge of \$15.00 per month was approved by the Public Service Commission as a part of Case Number 2002-00015. The order approving the surcharge states that Bullock Pen Water District may adjust the amount of the surcharge after 5 years upon showing good cause to the Commission. Currently the monthly collections exceed the annual debt service by approximately \$12,800 per year. The District would therefore like to lower the surcharge to \$10.00 per month in order to better match the collections to the annual debt service on the loan. The table below shows collections through 2007 at \$15.00 per month and estimates that at December 31, 2007 there will be approximately \$26,400 of cash in excess of debt service requirements available to supplement future cash flows. Starting in 2008 and thereafter the surcharge has been reduced to \$10.00 per month and the excess cash is used to make the loan payments when collections are not sufficient. Based on the results contained in the table below, the District feels it has established good cause to lower the current surcharge from \$15.00 per month to \$10.00 per month.

Year	Monthly Debt Service	Annual Debt Service	Expected Customers	Expected Collections	Excess Cash Available
2007	2,323.29	27,879.48	219	39,420.00	26,400.00
2008	2,280.37	27,364.44	220	26,400.00	25,435.56
2009	2,237.46	26,849.52	221	26,520.00	25,106.04
2010	2,194.54	26,334.48	222	26,640.00	25,411.56
2011	2,484.96	29,819.52	223	26,760.00	22,352.04
2012	2,424.88	29,098.56	224	26,880.00	20,133.48
2013	2,281.46	27,377.52	225	27,000.00	19,755.96
2014	2,225.66	26,707.92	226	27,120.00	20,168.04
2015	2,419.87	29,038.44	227	27,240.00	18,369.60
2016	2,351.21	28,214.52	228	27,360.00	17,515.08
2017	2,282.54	27,390.48	229	27,480.00	17,604.60
2018	2,376.54	28,518.48	230	27,600.00	16,686.12
2019	2,294.79	27,537.48	231	27,720.00	16,868.64
2020	2,213.04	26,556.48	232	27,840.00	18,152.16
2021	2,381.29	28,575.48	233	27,960.00	17,536.68
2022	2,285.92	27,431.04	234	28,080.00	18,185.64
2023	2,440.54	29,286.48	235	28,200.00	17,099.16
2024	2,248.21	26,978.52	236	28,320.00	18,440.64
2025	2,227.08	26,724.96	237	28,440.00	20,155.68
2026	2,281.50	27,378.00	238	28,560.00	21,337.68
Totals		555,061.80		561,540.00	
Average Annual Debt Service		27,753.09			

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE BULLOCK PEN WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO CONSTRUCT)	
AND FINANCE AN IMPROVEMENTS PROJECT)	CASE NO.
AND TO IMPLEMENT A SURCHARGE TO ITS)	2002-00015
EXISTING RATES PURSUANT TO KRS 278.020)	
AND 278.300)	

O R D E R

On February 7, 2002, Bullock Pen Water District ("Bullock Pen") submitted an application for a Certificate of Public Convenience and Necessity to construct a \$1,187,875 waterworks improvement project, for approval of its plan of financing for this project, and for approval of a surcharge.

The project consists of the construction of approximately 23 miles of 6-inch water mains and related appurtenances to provide service to an additional 145 customers.

Bullock Pen initially proposes to fund the present project with Kentucky Rural Water Finance Corporation bond proceeds in the amount of \$719,000, customer contributions in the amount of \$68,875, and grants in the amount of \$300,000, \$100,000 and \$100,000 to be received in the years 2002, 2003 and 2004, respectively. As grants are received, they will be first used to offset the total construction cost of \$1,187,875. Any remaining grant proceeds will be used to retire outstanding bond obligations.

After reviewing the evidence of the record and being otherwise sufficiently advised, the Commission finds that:

1. Bullock Pen proposes to construct approximately 23 miles of 6-inch water mains and related appurtenances to provide service to an additional 145 customers.

2. Plans and specifications for the proposed improvements prepared by CMW, Inc. of Richmond, Kentucky, have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

3. Public convenience and necessity require that the construction identified in Bullock Pen's application be performed and that a Certificate of Public Convenience and Necessity be granted.

4. The financing plan proposed by Bullock Pen is for lawful objects within the corporate purpose of its utility operation, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, is reasonably necessary and appropriate for such purpose, and should be approved.

5. Information included in the application indicates that certain expenditures related to the proposed construction will be reported as operating expenses. These amounts total \$167,304 and include employee salaries, engineering fees and legal fees. Generally Accepted Accounting Principals ("GAAP") and the applicable Uniform System of Accounts ("USoA") dictate that all costs incurred to bring an asset into service shall be capitalized as a cost of the asset. Wherever possible, those costs shall be assigned directly to the applicable plant account as listed in the USoA. Where direct assignment is not possible, the costs should be allocated to the USoA accounts based on the weighted average of all directly assigned costs.

IT IS THEREFORE ORDERED that:

1. Bullock Pen is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the plans and specifications of record herein.

2. Bullock Pen shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

4. Bullock Pen shall furnish documentation of the total costs of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the USoA for Water Utilities prescribed by the Commission.

5. Bullock Pen shall require construction to be inspected under the general supervision of a licensed 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.

6. Bullock Pen shall notify the Commission in writing 7 days prior to the actual commencement of the proposed construction and when 50 percent of the proposed construction is completed.

7. Bullock Pen 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.

8. Bullock Pen is authorized to issue Kentucky Rural Water Finance Corporation Bonds in an amount not to exceed \$719,000.

9. The proceeds from the \$719,000 note shall be used only for the lawful purposes specified in Bullock Pen's application.

10. Three years from the effective date of this Order, Bullock Pen 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.

11. The surcharge of \$15 per customer as detailed in Bullock Pen's application is approved for service rendered by Bullock Pen on and after the date of this Order and shall continue until such time that all bonds related to this project are retired. Bullock Pen may adjust the amount of the surcharge after 5 years upon showing good cause to this Commission.

12. Bullock Pen shall identify the surcharge as a separate line item on its bills to all affected customers.

13. The surcharge proceeds shall be used only to service the loan identified in the financing agreement between Bullock Pen and Kentucky Rural Water Finance Corporation.

14. The portion of the bonds to be retired through surcharge revenues is \$377,000. Collection of the surcharge shall cease once that portion of the bonds and all applicable interest has been paid in full.

15. All funds generated by the surcharge shall be deposited in a separate reserve trust account. These funds shall be invested in securities issued or guaranteed by the United States Government until they are needed, and shall be expended, together with any interest or other earnings thereon, solely for the purpose of financing the project specified in this Order.

16. No deviation from the approved use of surcharge revenues may be undertaken without the prior approval of the Commission.

17. Bullock Pen shall file semi-annual statements detailing surcharge revenues collected, including any interest earned thereon, all expenditures made, and remaining balance. These reports shall be filed as of June 30 and December 31 of each calendar year and are due no later than 30 days subsequent to those dates. Failure to file the semi-annual reports shall warrant cessation of the surcharge and immediate refunding of the monies previously collected. If construction has not begun within 5 years after implementation of the surcharge, all funds shall be returned to Bullock Pen's customers, together with interest and earnings.

18. Bullock Pen shall maintain its records in such a manner as will enable it, the Commission, or its customers to determine the amounts to be refunded and to whom they are due in the event that surcharge amounts are ordered refunded.

19. The surcharge revenues constitute contributions and shall be accounted for in the manner prescribed in the USoA for Class A and B water districts and associations. The monthly billing shall be debited to customer accounts receivable and credited to the contributions account. When the amount is collected, special funds shall be debited and customer accounts receivable credited.

20. The district shall account for all construction costs in accordance with GAAP and USoA Accounting Instruction 20.

21. Within 30 days of the date of this Order, Bullock Pen shall file with the Commission its revised tariffs setting out the rates and surcharge approved herein.

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 18th day of March, 2002.

By the Commission

ATTEST:


Executive Director