

Citizens National Bank of Somerset : The Villas of Woodson Bend

44 Public Square, Somerset, Kentucky 42501

606 - 679 - 6341

February 2, 2012

RECEIVED

FEB 02 2012

PUBLIC SERVICE
COMMISSION

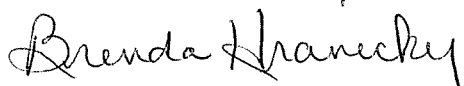
Jeff Derouen
Executive Director
KY Public Service Commission
PO Box 615
Frankfort, KY 40602

RE: Application for an Adjustment in Rates Pursuant to
the Alternative Rate Filing Procedure for Small Utilities

Citizens National Bank of Somerset: The Villas of Woodson Bend is submitting its application requesting Commission approval of its initial sewer rate pursuant to the Alternative Rate Filing Procedure for Small Utilities ("ARF"). Citizens National respectfully also requests leave to deviate from 807 KAR 5:076, Section 1(b), Section 2(b), and Section 3(1). On January 29, 2012, the Commission granted Citizens National a Certificate of Public Convenience and Necessity to provide sewer service to the Villas of Woodson Bend. Prior to 2012 the Villas of Woodson Bend was not charging a fee to its users and was not considered a utility. Financial information for the period required by the regulation is non-existent. Attached is the completed "ARF Application."

A copy of this application and related filings has been sent to the Office of the Attorney General, State Capitol Building, Suite 118, Frankfort, KY 40601.

Sincerely,



Brenda Hranicky, Asst Vice President
The Villas of Woodson Bend
Citizens National Bank

Enclosure

Citizens National Bank of Somerset : The Villas of Woodson Bend

44 Public Square, Somerset, Kentucky 42501

606 - 679 - 6341

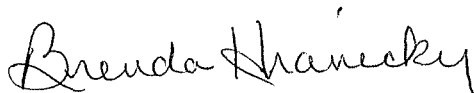
February 2, 2012

Hon. Jack Conway
Office of Attorney General
The Capitol, Suite 118
Frankfort, KY 40601

RE: Application for an Adjustment in Rates Pursuant to
the Alternative Rate Filing Procedure for Small Utilities

This filing shall serve notice that Citizens National Bank of Somerset: The Villas of Woodson Bend has filed an application with the Public Service Commission for approval of its initial sewer rate pursuant to the Alternative Rate Filing Procedure for Small Utilities ("ARF"). Citizens National respectfully also requests leave to deviate from 807 KAR 5:076, Section 1(b), Section 2(b), and Section 3(1). On January 29, 2012, the Commission granted Citizens National a Certificate of Public Convenience and Necessity to provide sewer service to the Villas of Woodson Bend. Prior to 2012 the Villas of Woodson Bend was not charging a fee to its users and was not considered a utility. Financial information for the period required by the regulation is non-existent.

Sincerely,



Brenda Hranicky, Asst Vice President
The Villas of Woodson Bend
Citizens National Bank

Enclosure

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

**APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION**

For Small Utilities Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

Citizens National Bank of Somerset: The Villas of Woodson Bend
(Name of Utility)

44 Public Square

(Business Mailing Address - Number and Street, or P.O. Box)

Somerset, Kentucky 42501

(Business Mailing Address - City, State, and Zip)

(606) 679 - 6341

(Telephone Number)

BASIC INFORMATION

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:

Brenda Hranicky, Asst. Vice President

(Name)

44 Public Square

(Address - Number and Street or P.O. Box)

Somerset, Kentucky 42501

(Address - City, State, Zip)

(606) 679 - 6341, Ext. 236

(Telephone Number)

N/A

(Email Address)

(For each statement below, the Applicant should check either "YES" or "NO".)

- | | YES | NO |
|---|-------------------------------------|-------------------------------------|
| 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. a. Applicant has filed an annual report with the Public Service Commission for the past year. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3. Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- | | YES | NO |
|---|-------------------------------------|-------------------------------------|
| 4. a. Applicant is a corporation. A certified copy of its articles of incorporation and all amendments are attached to this application or were filed with the Public Service Commission in Case No. <u>2011-00302</u> . | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant is a limited liability company. A certified copy of its articles of organization and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant is a limited partnership. A certified copy of its limited partnership agreement and all amendments thereto are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| d. Applicant is a sole proprietorship or partnership. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| e. Applicant is a water district organized pursuant to KRS Chapter 74. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| f. Applicant is a water association organized pursuant to KRS Chapter 273. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 6. a. Applicant has 20 or fewer customers or is a sewer utility and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant has more than 20 customers, is not a sewer utility, and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant has more than 20 customers, is not a sewer utility, and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." (Attach completed "Reasons for Application" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- | | | YES | NO |
|-------|--|-------------------------------------|-------------------------------------|
| 8. | Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." (Attach completed "Current and Proposed Rates" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 9. | Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, <u>2011</u> . | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 10. | Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." (Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 11. | Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ <u>37,497</u> and total revenues from service rates of \$ <u>37,497</u> . The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. (Attach a completed "Revenue Requirement Calculation" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 12. | As of the date of the filing of this application , Applicant had <u>62</u> customers. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 13. | A billing analysis of Applicant's current and proposed rates is attached to this application. (Attach a completed "Billing Analysis" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 14. | Applicant's depreciation schedule of utility plant in service is attached. (Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 15.a. | Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. | Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution). | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. | Applicant has attached an amortization schedule for each outstanding evidence of indebtedness. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

- | | YES | NO |
|---|-------------------------------------|-------------------------------------|
| 16. a. Applicant is not required to file state and federal tax returns. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant is required to file state and federal tax returns. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant's most recent state and federal tax returns are attached to this Application. (Attach a copy of returns.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 17. Approximately <u>N/A</u> (Insert dollar amount or percentage of total utility plant) of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

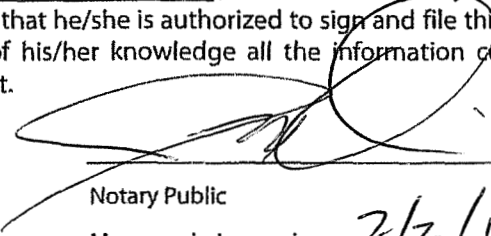
I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed Brenda Hanicky
 Officer of the Company/Authorized Representative
 Title Asst Vice President
 Date 2/2/12

COMMONWEALTH OF KENTUCKY

COUNTY OF Fayette

Before me appeared Brenda Hanicky, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.


 Notary Public

My commission expires: 2/2/12

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

- Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- All amendments to Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment
- "Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- "Billing Analysis" Attachment
- Depreciation Schedule
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return

REASONS FOR APPLICATION

(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)

Citizens National Bank is requesting initial rates for the Villas of Woodson Bend as directed in the attached Order in Case No. 2011-00302. Given that this is a request for initial rates there are no annual reports for the immediate past year or for the two (2) prior years because it has not been in existence that long. The rates are based on projected expenses and actual electrical usage for the calendar year 2011. Copies of all documentation used in the projections are attached to this application. If required, Citizens National Bank is requesting a deviation from the annual report requirement. The depreciation schedule is included in the pro forma adjustments.

Citizens National Bank of Somerset : The Villas of Woodson Bend

44 Public Square, Somerset, Kentucky 42501

606 - 679 - 6341

Notice

This is to inform you that Citizens National Bank of Somerset: The Villas of Woodson Bend is requesting Commission approval of its initial rate, which will produce annual revenues of \$37,200. The requested initial sewer rate is as follows:

	<u>Existing</u>	<u>Proposed</u>	<u>Percentage Increase</u>
Flat Monthly Residential	N/A	\$ 50.50	N/A

The rate contained in this notice is the rate proposed by Citizens National Bank of Somerset: The Villas of Woodson Bend; however, the Public Service Commission may order a rate to be charged that differs from the proposed rate contained in this notice.

Any corporation, association, or person with a substantial interest in the matter may submit a written request to intervene to the Public Service Commission at the address shown below. Copies of the application may be obtained at no charge by contacting Citizens National Bank of Somerset: The Villas of Woodson Bend at the address below. Any person may examine the rate application and any other filings at the offices of Citizens National Bank of Somerset: The Villas of Woodson Bend or the Public Service Commission.

Citizens National Bank of Somerset:
The Villas of Woodson Bend
44 Public Square
Somerset, Kentucky 42501

Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

Telephone: 606-679-6341, Ext. 236

Telephone: 502-564-3940

Persons may also view and download a copy of the rate application through the Public Service Commission's website at psc.ky.gov.

ARF FORM 1 - ATTACHMENT CPR - SEPTEMBER 2011

CURRENT AND PROPOSED RATES
(List Applicant's Current and Proposed Rates)

	Current Rate	Proposed Rate	Difference	
			\$	%
Flat Residential Monthly Rate	N/A	\$ 50 50	N/A	N/A

SCHEDULE OF ADJUSTED OPERATIONS - SEWER UTILITY

Account Titles	Test-Period	Projected Adjustments	Ref.	Projected Operations
Operating Revenues:				
Residential	\$ 0	\$ 0		\$ 0
Operating Expenses:				
Operation & Maint. Exp:				
Owner/Manager Fee	\$ 0	\$ 3,600	(a)	\$ 3,600
Fuel & Power	0	4,195	(b)	4,195
Insurance	0	688		688
Routine Maint Fee	0	11,400	(c)	11,400
Office Supplies	0	2,604	(d)	2,604
Total Operation & Maint Exp	\$ 0	\$ 22,487		\$ 22,487
Depreciation	0	9,730	(e)	9,730
Property Taxes	0	730	(f)	730
PSC Assessment	0	50	(g)	50
Total Operating Expenses	\$ 0	\$ 32,997		\$ 32,997
Net Operating Income	\$ 0	\$ (32,997)		\$ (32,997)

ARF FORM 1 - ATTACHMENT SAO-S - SEPTEMBER 2011

PRO FORMA ADJUSTMENTS - SEWER UTILITY

a. Owner/Manager Fee:

Requested Owner/Manager Fee \$ 3,600

b. Fuel & Power:

	Treatment Plant	Lift Station	Total
02/15/11	\$ 291	\$ 81	\$ 372
03/09/11	247	78	325
04/21/11	265	75	340
05/12/11	267	142	409
06/15/11	269	76	345
07/22/11	195	80	275
08/04/11	214	186	400
09/07/11	278	93	371
10/06/11	273	73	346
11/04/11	275	57	332
12/06/11	267	57	324
01/03/12	285	71	356
Total 01/01/11 through 12/31/11	<u>\$ 3,126</u>	<u>\$ 1,069</u>	<u>\$ 4,195</u>

c. Routine Maintenance:

Monthly Routine Fee \$ 950
 Multiplied by: 12 Months x 12
 Projected Routine Maintenance Fee Expense \$ 11,400

d. Insurance:

General Liability - Pump Station \$ 688

e. Office Expenses (Customer Billing):

Billing Cost per Customer \$ 3.50
 Multiplied by: Number of Customers x 62
 Monthly Billing Cost \$ 217,000
 Multiplied by: 12 Months x 12
 Projected Customer Billing Expense \$ 2,604

f. Depreciation

	Cost	Depreciation	
		Lives	Expense
Cost-of-Plant	\$ 100,000	20	\$ 5,000
Lagoons	\$ 58,850	15	3,923
Fence	\$ 4,036	5	+ 807
Projected Depreciation Expense			<u>\$ 9,730</u>

g. Property Tax

Property Tax - \$50,000 Value 365
 Multiplied by: 2 (Current Value \$100,000) x 2
 Projected Property Tax (Current Purchase Price) \$ 730

REVENUE REQUIREMENT CALCULATION - OPERATING RATIO METHOD
 (This method is commonly used by investor owned utilities
 as well as non-profit entities that do not have long-term debts outstanding.)

Revenue Requirement

Operating Expenses	\$	32,997
Divide by: Operating Ratio	÷	88%
Revenue Requirement	\$	<u>37,497</u>

Monthly Residential Rate

Revenue Requirement	\$	37,497
Divided by: 12 Months	÷	12
Monthly Revenue Requirement	\$	3,124.75
Divided by: Number of Customers	÷	62
Monthly Residential Flat Rate (Rounded to Nearest Dollar)	\$	<u>50.50</u>

Projected Cash Flow

Revenue Requirement	\$	37,497
Less: Operating Expenses	-	32,997
Subtotal	\$	4,500
Add: Depreciation Expense	+	9,730
Net Cash Flow	\$	<u>14,230</u>

BILLING ANALYSIS - FLAT RATES

Revenue from Present/Proposed Rates

	<u>Current Rate</u>	<u>Proposed Rate</u>
Number of Customers		62
Flat Monthly Rate		\$50.50
Monthly Revenue	\$0.00	\$3,131.00
Number of Months	12	12
Annual Revenue	\$0.00	\$37,572.00

Consumer Accounting System

SEARCH

Consumer Accounting System

SEARCH

DATE	AMOUNT	DESCRIPTION
10/09/11	256	
09/07/11	218	
08/04/11	220	
07/03/11	207	
06/08/11	199	
05/03/11	174	
04/08/11	155	
03/04/11	135	
02/09/11	120	
12/09/10	83	
11/03/10	29	
11/03/10	57	
10/09/11	1800	
09/03/11	1500	
08/03/11	1300	
07/03/11	1400	
06/03/11	1900	
05/03/11	1900	
04/03/11	1900	
02/28/11	1600	
01/23/11	1900	
11/03/10	1600	
11/03/10	1800	

DATE	AMOUNT	DESCRIPTION
10/22/11	273.15	
09/23/11	277.66	
08/20/11	213.95	
07/23/11	194.99	
06/24/11	268.79	
05/27/11	267.40	
04/23/11	265.29	
03/20/11	248.63	
02/20/11	291.56	
12/22/10	215.92	
11/20/10	282.75	

DATE	AMOUNT	DESCRIPTION
10/22/11	.00	
09/23/11	.00	
08/20/11	.00	
07/23/11	.00	
06/24/11	.00	
05/27/11	.00	
04/23/11	.00	
03/20/11	.00	
02/20/11	.00	
12/22/10	.00	
11/20/10	.00	

DATE	AMOUNT	DESCRIPTION
10/22/11	.00	
09/23/11	-277.66	
08/20/11	-213.95	
07/23/11	-194.99	
06/24/11	-268.79	
05/27/11	-267.40	
04/23/11	-265.29	
03/20/11	-248.63	
02/20/11	-291.56	
12/22/10	-215.92	
11/20/10	-282.75	

Charge Debit History Charge Credit History For History

DATE	AMOUNT	DESCRIPTION
12/22/10	215.92	
11/20/10	282.75	

DATE	AMOUNT	DESCRIPTION
11/20/10	-282.75	
12/22/10	-215.92	

Penalty: .00
Other Amt 1: .00
Other Amt 2: .00
Other Amt 3: 6.99
Interest: .00
Member Fee: 25.00
Cons Deposit: .00
Other Deposit: .00
Bill Amount: 47.71
BB Amount: .00
Arrears: .00
Ancillary: .00
Net: .00

Brenda Hranicky

From: Carol Harshbarger [carolh@kentuckyinsurancegroup.com]
Sent: Thursday, August 25, 2011 11:22 AM
To: Brenda Hranicky
Subject: Evidence of Property

Attachments: 1393019714e.pdf



1393019714e.pdf
(58 KB)

Brenda,

Per your conversation with Jim Fightmaster, attached is Evidence of Property for the three townhouses and pump station.

The annual premium for each individual townhouse is \$1,255 and the pump station is \$688 (total \$4,453.00).

If you need anything further please advise.

Thanks,
Carol

Carol Harshbarger
Kentucky Insurance Group
carolh@kentuckyinsurancegroup.com
989 Governors Lane
P.O. Box 910828
Lexington, KY 40591-0828
Telephone: 859-277-8877 ext. 132
Fax: 859-252-5831

To: Brenda Hranicky
Citizens National Bank
P.O. Box 760
Somerset, KY 42502

271-3000

From: Richard Troxell
P.O. Box 16
Somerset, KY 42502

Purpose: To maintain wastewater system at The Villas and to make necessary reports to the KY Department of Water.

Scope of Work:

1. Daily inspection of lagoons and lift station
2. Checking and cleaning floats weekly
3. Checking and greasing aerators monthly
4. Wash down lift station quarterly
5. Inspect manholes quarterly
6. Respond to odor complaints and take necessary action
7. Take DO and PH readings of lagoons weekly (or more often if signs of a problem appear)
8. Do all minor repairs and coordinate with contractors on any major repairs i.e.: breaks in line, pump repairs
9. All materials needed will be approved and paid for by owners before purchased

Bid amount:
\$950.00 monthly

Richard Troxell

CONTRACT FOR BILLING SERVICES

This contract for Billing Services, hereinafter referred to as "Contract" is made and entered into this the ____ day of _____, 2012, by and between **CITIZENS NATIONAL BANK OF SOMERSET, KENTUCKY**, of P. O. Box 760, Somerset, Kentucky 42502, hereinafter referred to as "Citizens," and **BRONSTON WATER ASSOCIATION, INC.**, of P. O. Box 243, Bronston, Kentucky 42518, hereinafter referred to as "Association,

WITNESSETH: WHEREAS, Citizens currently owns and operates a private sewer treatment facility the serves residents of The Villas at Woodson Bend development, and

WHEREAS, Citizens intends to bill the residents of The Villas at Woodson Bend development who use the sewer treatment facility once approval has been obtained and the rate set by the Kentucky Public Service Commission, and

WHEREAS, Citizens and the Association have entered into an agreement whereby the Association will provide billing services for the sewer treatment facility for Citizens, and

WHEREAS, Citizens and the Association intend to formalize the terms of their agreement with respect to this billing,

NOW, THEREFORE, in consideration of the forgoing premises and mutual promises and undertakings hereinafter set forth, Citizens and the Association agree as follows:

1. Citizens shall pay to the Association a one hundred dollar (\$100.00) set-up fee to be paid to begin the billing process.
2. Citizens shall pay to the Association the sum of three dollars and fifty cents (\$3.50) per each bill prepared and remitted to each homeowner who has use of the sewer treatment facility owned and operated by Citizens for the sole use and benefit of The Villas at Woodson Bend development.
3. The Association shall have no liability whatsoever with regard to the maintenance or upkeep of the water or sewer treatment facility owned and operated by Citizens for The Villas at Woodson Bend development, and Citizens will indemnify and hold the Association harmless with regard to any claim presented against the Association related to the maintenance, upkeep or operation of the sewer treatment facility owned and operated by Citizens for The Villas at Woodson Bend development.
4. In the event that Citizens directs the Association to shut off water service to The Villas at Woodson Bend development or the sewer treatment facility owned and operated by Citizens for The Villas at Woodson Bend development, Citizens will be solely responsible for and will indemnify and hold the Association harmless with regard to any claim presented against the Association related to the shut off of water services directed by Citizens for The Villas at Woodson Bend development.
5. Citizens hereby certifies that this Agreement is entered into pursuant to a duly authorized and adopted Resolution.

6. The Association certifies that this Agreement is executed pursuant to a duly authorized and adopted Resolution.
7. This Agreement shall be binding upon the respective parties, their successors and assigns.
8. Provided neither Citizens nor the Association has breached any term of this Agreement, this Agreement shall continue in full force and effect for a period of twelve (12) months from the date of the execution hereof and thereafter for successive twelve (12) month periods unless either party elects to cancel this Agreement by notifying the other of such cancellation election no later than ninety (90) days preceding the termination of such initial twelve (12) month term or any renewal twelve (12) month term thereafter.

IN WITNESS HEREOF, the parties have hereunto set their hands on the date and year first above written.

**CITIZENS NATIONAL BANK
OF SOMERSET, KENTUCKY**

**BRENDA HRANICKY
ASSITANT VICE PRESIDENT**

BRONSTON WATER ASSOCIATION, INC.

CHARLES CASSADA, CHAIRMAN

ATTEST:

_____, **SECRETARY**



PULASKI COUNTY
SHERIFF'S DEPARTMENT

Home
Eng
Contact

Welcome | About Us | News & Events | Unpaid Calls | Most Wanted | Agency Law | Contact Us | Home | 1-800-345-4111

Tax Search and Pay

Tax Search and Pay	Tax Questions	Contact Us	Property Valuation	Sheriff's Homepage
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Tax Record for:
SOUTHFORK DEVELOPMENT VILLAS
C/O TIM GROSS
10345 APPLE PARK CT
DAYTON OH 45458,

Sewer Treatment

Bill Information	
Bill Number:	38800
Tax District:	Pulaski Co
Tax Year:	2011
Payment Status:	Unpaid

Tax / Payment Information	
Discount Amount (if paid before Nov 1st):	\$365.05
Total Tax (if paid between Nov 2nd and Dec 31st):	\$372.50
Penalty 1 (5% if paid in Jan) :	\$391.13
Penalty 2 (21% is paid on or after Feb 1st):	\$450.73
Last Payment Amount:	\$0.00
Last Payment Date:	
What you owe:	\$365.05

Property Information	
Map Number:	065-5-1-02 2
Farm Acres:	\$0.00
Assessment:	\$50,000.00
Location:	VILLA PLACE
Description:	019.71 AC VILLA PLACE TREATMENT PLA

[Add To Cart](#)

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[Update Mailing Address Information](#)

[Search For Additional Records](#)

Disclaimer: Additional fees and penalties may apply after the tax bills are turned over to the Pulaski County Court Clerk



Pulaski County Sheriff's Department
P.O. Box 752 - Somerset, KY 42502
Phone: (606) 678-5145 - Fax (606) 679-3119
info@pulaskisheriff.com

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CITIZENS NATIONAL BANK OF)
SOMERSET, KENTUCKY FOR AN ORDER) CASE NO. 2011-00302
APPROVING A TRANSFER OF OWNERSHIP AND)
CONTROL)

ORDER

Citizens National Bank of Somerset, Kentucky has applied for Commission approval of its acquisition of certain sewage collection and treatment facilities that are located in Pulaski County, Kentucky, or, in the alternative, for a declaration that Commission approval of its acquisition is not required and for a Certificate of Public Convenience and Necessity to provide sewage collection and treatment services.

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds:¹

1. Citizens Bancshares, Inc , a Kentucky corporation organized pursuant to KRS Chapter 271B,² is a nationally chartered bank³ that is headquartered in Pulaski

¹ Citizens National tendered its application for filing on August 17, 2011. Finding that the application did not comply with 807 KAR 5:001, the Executive Director initially rejected the filing, but accepted the filing on September 22, 2011 after Citizens National supplemented its application. No persons have sought intervention in this proceeding. Commission Staff has conducted discovery in this matter. Citizens National has not requested a hearing in this matter. To ensure a complete and thorough record upon which to consider Citizens National's application, we have by this Order incorporated the record of an earlier proceeding involving the facilities that Citizens National seeks to acquire.

² See [https://app.sos.ky.gov/ftshow/\(S\(5yumuvziro053a453bt3zw25\)\)/default.aspx?path=ftsearch&id=0083393&ct=09&cs=99999](https://app.sos.ky.gov/ftshow/(S(5yumuvziro053a453bt3zw25))/default.aspx?path=ftsearch&id=0083393&ct=09&cs=99999) (last visited Jan. 19, 2012)

³ See <http://www.occ.treas.gov/topics/licensing/national-bank-lists/national-by-name-v2.pdf> (last visited Jan. 19, 2012)

County, Kentucky. It operates as Citizens National Bank of Somerset, Kentucky ("Citizens National").

2. South Fork Development, Inc. ("South Fork") is a Kentucky corporation incorporated in 1994 under the provisions of KRS Chapter 271B for the purpose of real property development.⁴

3. Since December 7, 2000, South Fork has operated under the name of "The Villas at Woodson Bend."⁵

4. On April 1, 2002, South Fork filed a Master Deed with the Pulaski County Clerk's Office establishing a condominium property regime and designating a 48-acre tract of land as "The Villas at Woodson Bend."

5. On July 25, 2001, the Kentucky Division of Water ("DOW") granted authorization to South Fork to operate for five years a no-discharge waste treatment system on property that adjoined the condominium development and that the Janice Gross Living Revocable Trust owned.⁶

6. South Fork's system consisted of two aerated treatment lagoons and one polishing, evapo-transpiration pond and had a design treatment capacity of 65 residential units.⁷

⁴ Articles of Incorporation of South Fork Development, Inc. at 1 (Sep 19, 1994), <https://app.sos.ky.gov/corpscans/57/0335957-09-99999-19940919-ART-2242144-PU.pdf> (last visited Jan 19, 2012).

⁵ Certificate of Assumed Name (Dec 7, 2000), [https://app.sos.ky.gov/ftshow/\(S\(4krm2rjcvxdbdfa5qpnsvn2r\)\)/genpdf.aspx?ctr=1222842](https://app.sos.ky.gov/ftshow/(S(4krm2rjcvxdbdfa5qpnsvn2r))/genpdf.aspx?ctr=1222842) (last visited Jan 19, 2012).

⁶ Letter from Jack A. Wilson, Director, Kentucky Division of Water, to Timothy L. Gross, South Fork Development (July 25, 2001) (filed on May 29, 2009 in PSC Case No. 2009-00037); Defendants' Responses to Request for Information, Item 2 (filed on May 29, 2009 in PSC Case No. 2009-00037).

⁷ Letter from David S. Pyzoha, Principal, Evans, Mechwart, Hambleton & Tilton, Inc., to Tina Bailey, Kentucky Division of Water (Aug. 10, 2006) (filed on May 29, 2009 in PSC Case No. 2009-00037).

7. Construction of South Fork's no-discharge waste treatment system was completed as of 2004.⁸

8. In 2006, DOW approved South Fork's application to construct a collection system consisting of 6,151 linear feet of 8-inch polyvinylchloride sewer main to connect the condominium development to the wastewater treatment system.⁹

9. The Master Deed for the condominium property stated that the sewage collection and treatment system was not part of the common elements, but further provided that the cost of operating the facilities was a common expense to be paid from regular assessments of all condominium unit owners.¹⁰

10. South Fork developed the sewage collection and treatment facilities to provide sewage services to the unit owners at The Villas at Woodson Bend.¹¹

11. Unit owners paid a monthly assessment to The Villas at Woodson Bend Condominium Association, Inc. ("Condominium Association"), a non-profit corporation organized under KRS Chapter 273 and composed of the owners of the condominium

⁸ This finding is based upon records that show the sewage treatment plant incurring bills for electric service as of June 2004. See Defendants' Responses to Request for Information, Item 3 (filed on May 29, 2009 in PSC Case No. 2009-00037).

⁹ Letter from Harold S. Sparks, Supervisor, Facilities Construction Branch, Kentucky Division of Water, to David S. Pyzoha, Principal, Evans, Mechwart, Hambleton & Tilton, Inc. (June 22, 2006) (filed on May 29, 2009 in PSC Case No. 2009-00037).

¹⁰ Defendants' Responses to Request for Information, Item 9 (filed on May 29, 2009 in PSC Case No. 2009-00037).

¹¹ *Id.* Item 8

units within the Villas at Woodson Bend. A portion of this monthly assessment related to the cost of electricity that the sewer collection and treatment facilities used.¹²

12. While owning the sewer collection and treatment facilities, South Fork did not issue any bills for sewer services to unit owners at The Villas at Woodson Bend or the Condominium Association.¹³

13. Beginning on or about April 24, 2002, South Fork executed a series of promissory notes to Citizens National to finance the development of the condominium property. As collateral for repayment of the original note and subsequent notes related to the condominium development, South Fork and the Janice Gross Living Revocable Trust executed an agreement that conferred a mortgage to Citizens National on real property that South Fork and the Janice Gross Living Revocable Trust owned, including the real property upon which the sewage collection and treatment facilities were located.

14. In 2008, South Fork defaulted upon its loan obligations to Citizens National.¹⁴

15. On February 18, 2009, Citizens National initiated legal action in Pulaski Circuit Court against South Fork and others to enforce the terms of promissory notes and to foreclose on mortgages that secured payment of the promissory notes.¹⁵

¹² *Id.* Article V of the Master Deed provided for the making and collection of assessments against unit owners for common expenses of the condominium project, including utility expenses related to the common elements. As the sewage collection and treatment facilities were not part of the common elements, electric power expenses for the operation of the sewage facilities do not appear to be appropriate for inclusion in any assessment made by the Condominium Association. South Fork took a contrary position. See Defendants' Responses to Request for Information, Item 9 (filed on May 29, 2009 in PSC Case No. 2009-00037).

¹³ *Id.* Items 3-6. See also Citizen National's Response to Commission Staff's First Information Request, Item 1 (filed Oct. 3, 2011).

¹⁴ Application at ¶ 6.

¹⁵ *Citizens National Bank v. Kenison*, No. 09-CI-00231 (Pulaski Cir. Ct. Ky. filed Feb. 18, 2009).

16. On November 20, 2009, Pulaski Circuit Court granted judgment against South Fork and ordered the sale of the properties that secured the debts.¹⁶

17. On April 28, 2011, a master commissioner sold the sewage collection and treatment facilities, including the wastewater treatment plant, sewer mains, manholes, force mains, pumping and lifting stations, easements, rights-of-way, licenses, privileges, improvement and appurtenances necessary to the operation of the wastewater treatment plant, to Citizens National subject to Commission approval.¹⁷

18. Citizens National proposes to operate the sewage collection and treatment facilities and to assess a fee to each unit owner for the provision of sewage collection and treatment facilities.¹⁸

19. Since the master commissioner's sale of the sewage collection and treatment facilities, Citizens National has undertaken extensive repairs to the facility, has maintained the facility, and has born all of the cost of the necessary repairs and maintenance.

20. Citizens National has retained Richard Troxell, a certified wastewater treatment plant operator, to operate the sewage collection and treatment facilities.

21. As of December 31, 2010, Citizens National had total assets of \$325,576,381 and total liabilities of \$290,413,486.¹⁹

¹⁶ *Citizens National Bank v Kenison*, No 09-CI-00231 (Pulaski Cir Ct Ky Nov 20, 2009).

¹⁷ *Citizens National Bank v Kenison*, No 09-CI-00231 (Pulaski Cir Ct Ky Jun 29, 2011)

¹⁸ Citizen National's Response to Commission Staff's First Information Request, Item 2 (filed Oct 3, 2011)

¹⁹ Application, Exhibit C

22. Neither the deed to the property on which the sewage facilities are located nor any agreement prohibits Citizens National's right or ability to provide sewage collection or treatment services to properties outside *The Villas at Woodson Bend*.

Based upon the findings set forth above, the Commission makes the following conclusions of law:

1. KRS 278.020(5) provides that "[n]o person shall acquire or transfer ownership of, or control, or the right to control, any utility under the jurisdiction of the commission . . . without prior approval by the commission."

2. KRS 278.020(6) provides that "[n]o individual, group, syndicate, general or limited partnership, association, corporation, joint stock company, trust, or other entity (an "acquirer"), whether or not organized under the laws of this state, shall acquire control, either directly or indirectly, of any utility furnishing utility service in this state, without having first obtained the approval of the commission."

3. KRS 278.010(3) defines a utility as:

[A]ny person . . . who owns, controls, operates, or manages any facility used or to be used for or in connection with . . .

(f) [t]he collection, transmission, or treatment of sewage for the public, for compensation, if the facility is . . . a sewage collection, transmission, or treatment facility that is affixed to real property, that is located in any other county [than a county containing a city of the first class], and that is not subject to regulation by a metropolitan sewer district or any sanitation district created pursuant to KRS Chapter 220.

4. As South Fork did not provide sewage service for compensation to the individual unit owners at *The Villas at Woodson Bend*, South Fork is not a utility as defined in KRS 278.010(3).

5. The sale of the sewer facilities from South Fork to Citizens National does not constitute a transfer of control of a "utility." KRS 278.020(5), therefore, does not require Commission approval of the sale

6. Citizens National's acquisition of South Fork's sewer facilities does not constitute the acquisition of control of a "utility." KRS 278.020(6), therefore, does not require Commission approval of the acquisition.

7. "One offers [service] to the 'public' . . . when he holds himself out as willing to serve all who apply up to the capacity of his facilities. It is immaterial . . . that his service is limited to a specified area and his facilities are limited in capacity."²⁰

8. As set forth in its application, Citizens National intends to provide sewer collection and treatment service to the public for compensation and therefore intends to provide utility service

9. KRS 278.020(1) provides that no private corporation "shall commence providing utility service to or for the public . . . until that person has obtained from the Public Service Commission a certificate that public convenience and necessity require the service. . . ."

10. KRS 278.020(1) requires Citizens National to obtain a Certificate of Public Convenience and Necessity prior to providing sewer service to the public for compensation

11. Citizens National's assumption of the ownership and operation of the South Fork sewer facilities will not result in wasteful duplication of services or facilities.

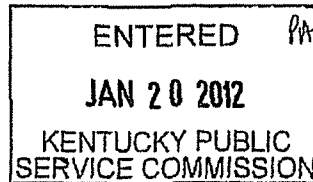
²⁰ *North Carolina ex rel Utilities Comm'n v. Carolina Tel. & Tel. Co.*, 148 S.E.2d 100, 109 (N.C. 1966). See also Case No. 94-066, *South Williamson Lodging, Inc. v. Little Pearl Trucking Co., Inc.*, (Ky. PSC Jul 10, 1996) (sale of utility services to persons purchasing a real estate interest in a development is considered offering service to "the public")

12. The public convenience and necessity require Citizens National's assumption of the ownership and operation of the South Fork sewer facilities.

IT IS THEREFORE ORDERED that:

1. The record of Case No 2009-00037²¹ is incorporated by reference into the record of this proceeding.
2. Citizens National's application for Commission approval of the acquisition of the South Fork sewer facilities is denied as moot.
3. Citizens National is granted a Certificate of Public Convenience and Necessity to provide sewer service to the Villas at Woodson Bend.
4. Citizens National shall not begin providing sewer service for compensation until its rates for service have been filed with and approved by the Commission.

By the Commission



ATTEST.

Stephan Bee for Jeff Deen
Executive Director

²¹ Case No 2009-00037, *The Villas at Woodson Bend Condominium Association v. South Folk Development, Inc* (Ky. PSC filed Jan 30, 2009).