



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda K. Breathitt
Commissioner

January 10, 2014

Mr. Leihman Howard
Hyden-Leslie County Water District
325 Wendover Road
Hyden, Kentucky 41749

W. Randall Jones, Esq.
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202

Re: Case No. 2013-00388
Hyden-Leslie County Water District

Gentlemen:

The enclosed documents have been filed in the record of the above-referenced case. Any objections to this action should be submitted to the Commission within five days of receipt of this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

gw
Enclosures

1. E-mail Msg dtd 10 Jan 2014 10:58 AM
2. E-mail Msg dtd 10 Jan 2014 09:14 AM
3. Email Msg dtd 9 Jan 2014 02:28 PM
4. Email Msg dtd 8 Jan 2014 03:23 PM

From: [Randy Jones](#)
To: [Wuetcher, Jerry \(PSC\)](#)
Cc: [Mike Maggard](#); [hlwater tds.net](#); [Kristen Millard](#)
Subject: RE: Case No. 2013-00388: Hyden-Leslie County Water District
Date: Friday, January 10, 2014 11:10:58 AM
Attachments: [coverage proforma.xls](#)
[Hyden-Leslie template.xls](#)

Mr. Wuetcher,

In response to your questions and requests, please see the following:

- 1) The Hyden-Leslie County Water District does anticipate adjusting its rates in the next 12-24 months. HLCWD expects to file the necessary application for a rate change via KRS 278.023 in connection with a USDA, Rural Development loan/grant.
- 2) A financial analysis was performed by Raymond James, as financial advisor to the lender (Kentucky Rural Water Finance Corporation). Attached are various spreadsheets generated by Raymond James. Please note that revenues from anticipated customers to be added by the Project in question are included in the proforma.
- 3) HLCWD plans on paying the principal and interest on the KRWFC loan with the proceeds of permanent financing to be obtained from USDA, Rural Development. HLCWD, through its engineers, is preparing to file a pre-application for funding with USDA, Rural Development.

Please let me know if further explanation or additional information is required.

W. Randall Jones, Esq.
Rubin & Hays
450 South Third Street, Suite 300
Louisville, Kentucky 40202
Phone: (502) 569-7534
Fax: (502) 569-7555
email: wrjones@rubinhays.com

From: Wuetcher, Jerry (PSC) [<mailto:JWuetcher@ky.gov>]
Sent: Friday, January 10, 2014 9:14 AM
To: Randy Jones
Subject: Case No. 2013-00388: Hyden-Leslie County Water District

Mr. Jones:

Commission Staff is expediting its review of the application and hopes to complete this review within the next 2-3 business days. Commission Staff, however, requires some information regarding the proposed Assistance Agreement. It respectfully requests that Hyden-Leslie County Water District respond to the following questions and requests for information:

1.

State whether Hyden-Leslie County Water District anticipates adjusting its rates for service in the next 12-24 months. If it anticipates a rate adjustment, state when it expects to submit such an adjustment.

2.

State whether Hyden-Leslie or its agents have conducted any study or review to determine whether it can meet the debt service requirements of the proposed Assistance Agreement without adjusting its rates. Provide a copy of all studies and review that have been conducted.

3.

The proposed Assistance Agreement requires an interest and principal payment of \$2,484,460 on 2/1/2016. Describe Hyden-Leslie County Water District's current plans for making this payment.

The response to this request may be by e-mail. Commission Staff will take the necessary actions to ensure its placement into the case record.

Respectfully,

Gerald E. Wuetcher
Executive Advisor/Attorney
Public Service Commission of Kentucky
gerald.wuetcher@ky.gov
Office: [\(502\) 564-3940](tel:(502)564-3940)
Direct: [\(502\) 782-2590](tel:(502)782-2590)
Cell: [\(502\) 229-6500](tel:(502)229-6500)

Debt Coverage Analysis

	<u>Proforma</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Income	\$1,600,823	\$1,600,823	\$1,594,210	\$1,338,336
Less: Operating Expenses	\$1,096,242	\$1,096,242	\$1,036,247	\$890,940
Operating Income	<u>\$504,581</u>	<u>\$504,581</u>	<u>\$557,963</u>	<u>\$447,396</u>
Revenues from additional customers	\$86,531			
Plus: Interest Income	<u>\$43,564</u>	<u>\$43,564</u>	<u>\$27,020</u>	<u>\$71,812</u>
Available Revenues	<u>\$634,676</u>	<u>\$548,145</u>	<u>\$584,983</u>	<u>\$519,208</u>
Max Annual Parity Debt Service	<u>\$486,222</u>	<u>\$329,222</u>	<u>\$202,188</u>	<u>\$202,188</u>
Parity Debt Coverage	<u>1.31</u>	<u>1.66</u>	<u>2.89</u>	<u>2.57</u>

HYDEN-LESLIE COUNTY WATER DISTRICT

Balance Sheet

	As of December 31,		
	2012	2011	2010
ASSETS			
Cash and cash equivalents	\$952,535	\$790,865	\$1,483,188
Investments	1,340,660	1,299,643	1,274,647
Receivables	183,803	180,975	176,990
Unbilled accounts receivable	33,000	33,000	33,000
Grant receivable	65,238	628,836	707,278
Inventories	35,412	25,092	30,731
Other current assets	28,086	25,435	24,586
Customers deposits	82,348	80,088	77,964
Depreciation rseserves	296,880	296,880	296,880
Debt and interest funds	153,297	149,825	142,676
Capital assets	<u>22,048,460</u>	<u>20,731,036</u>	<u>13,761,777</u>
Total Assets	<u>\$25,219,719</u>	<u>\$24,241,675</u>	<u>\$18,009,717</u>
LIABILITIES			
Accounts payable	\$160,766	\$650,947	\$731,495
Accrued interest	9,856	38,546	5,076
Current portion of long term debt	151,897	146,092	142,392
Other current liabilities	11,801	11,786	11,791
Customer deposits	38,029	35,769	33,644
Expansion deposits	44,319	44,320	44,320
Compensated absences	35,818	47,606	59,394
Revenue bonds, net of current	4,049,746	4,154,643	1,310,735
Total Current and Accrued Liabilities	<u>\$4,502,232</u>	<u>\$5,129,709</u>	<u>\$2,338,847</u>
EQUITY			
Invested in captial assets	\$17,846,817	\$16,430,301	\$12,308,650
Restricted	532,525	526,793	517,520
Unrestricted	<u>2,338,145</u>	<u>2,154,872</u>	<u>2,844,700</u>
Total Equity Capital	<u>\$20,717,487</u>	<u>\$19,111,966</u>	<u>\$15,670,870</u>
Total Liabilities and Equity	<u>\$25,219,719</u>	<u>\$24,241,675</u>	<u>\$18,009,717</u>

STATEMENT OF INCOME

	December 31,		
	2011	2010	2009
OPERATING REVENUES			
Water sales	\$1,457,234	\$1,460,618	\$1,276,149
Service charges	4,179	5,972	3,715
Tap fees	95,100	83,400	21,578
Penalties	42,794	42,508	35,031
Other revenue	<u>1,516</u>	<u>1,712</u>	<u>1,863</u>
Operating Revenues	<u>\$1,600,823</u>	<u>\$1,594,210</u>	<u>\$1,338,336</u>
OPERATING EXPENSES			
Salaries and wages	\$391,575	\$384,719	\$339,907
Employee benefits	213,956	197,834	167,163
Purchased water	17,471	14,615	14,832
Utilities and telephone	189,277	162,960	140,908
Chemicals	77,149	65,449	54,672
Materials and supplies	56,150	69,510	43,788
Contracted services	25,245	22,477	20,351
Vehicle and equipment expenses	28,652	28,947	28,411
Insurance	34,941	33,355	32,155
Bad debts	10,881	14,209	9,921
Other operating expenses	<u>50,945</u>	<u>42,172</u>	<u>38,832</u>
Total Operating Expenses	<u>\$1,096,242</u>	<u>\$1,036,247</u>	<u>\$890,940</u>
Income Before Depreciation and Non-Operating Revenue (expenses)	<u>504,581</u>	<u>557,963</u>	<u>447,396</u>
Less Depreciation and Amortization	(445,961)	(448,571)	(455,920)
Operating Income	<u>\$58,620</u>	<u>\$109,392</u>	<u>(\$8,524)</u>
Interest Expense	(\$129,498)	(\$61,696)	(\$56,930)
Grant revenue	\$2,166,653	\$3,113,530	\$1,938,778
Loss on disposal of assets	(\$533,818)	\$0	\$0
Interest Income	43,564	27,020	71,812
Net income	<u>\$1,605,521</u>	<u>\$3,188,246</u>	<u>\$1,945,136</u>

Source: Fiscal years 2010-2012 on both the Balance Sheet and Statement of Income taken from the District's audited financial statements and summarized by the Financial Advisor.

HYDEN-LESLIE COUNTY WATER DISTRICT

Hyden-Leslie County Water District is located in Hyden, Kentucky. Hyden had an estimated population of 362 in 2012. Leslie county had an estimated population of 11,170 people in the same year. Leslie County is 120 miles from Lexington, Kentucky, 197 miles from Louisville, Kentucky, 251 miles from Nashville, Tennessee, and 204 miles from Cincinnati, Ohio.

Economic Statistics for the year 2013

Per Capita Income ⁽¹⁾	\$28,852	Employment	3,242
% change over 5 year period	32.2%	Civilian Labor Force	3,902
Median Family Income ⁽²⁾	\$29,645	Unemployment Rate	16.9%
Average Weekly Wage ⁽²⁾	\$772		



Population Projections

2015	2020	2025	2030
11,291	10,864	10,382	9,911

⁽¹⁾ Data from 2012

⁽²⁾ Data from 2011

Source: Kentucky Department of Economic Development

Customer Breakdown

WATER			
Year	Residential	Commercial/ Other	Total
2011	3,486	270	3,756
2010	3,443	270	3,713
2009	3,396	270	3,666
2008	3,305	270	
2007	3,171	270	

Five Largest Customers

WATER			
Customer	Annual Sales	Annual Usage*	% of Total Usage
Leslie Co Fiscal Court	\$28,737.45	3,082,704	1.90%
Red Bird mission Hospital	\$19,241.15	2,508,996	1.30%
Hyden Nursing Home	\$21,591.29	2,449,200	1.40%
ARH Systems Center	\$19,261.69	1,921,500	1.30%
Begley Lumber	\$11,772.97	1,557,504	0.80%
Totals:	\$100,604.55	11,519,904	6.70%

* gallons

Rate Schedule

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
All over 200,000 galls	\$1.76	per 1,000 gallons

Effective as of 10/29/10

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
All over 200,000 gallons	\$2.64	per 1,000 gallons

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Parity Debt Coverage	1.66	2.89	2.57

From: [Wuetcher, Jerry \(PSC\)](#)
To: [W. Randall Jones Esq.](#)
Subject: Case No. 2013-00388: Hyden-Leslie County Water District
Date: Friday, January 10, 2014 9:14:10 AM

Mr. Jones:

Commission Staff is expediting its review of the application and hopes to complete this review within the next 2-3 business days. Commission Staff, however, requires some information regarding the proposed Assistance Agreement. It respectfully requests that Hyden-Leslie County Water District respond to the following questions and requests for information:

1. State whether Hyden-Leslie County Water District anticipates adjusting its rates for service in the next 12-24 months. If it anticipates a rate adjustment, state when it expects to submit such an adjustment.
2. State whether Hyden-Leslie or its agents have conducted any study or review to determine whether it can meet the debt service requirements of the proposed Assistance Agreement without adjusting its rates. Provide a copy of all studies and review that have been conducted.
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The response to this request may be by e-mail. Commission Staff will take the necessary actions to ensure its placement into the case record.

Respectfully,

Gerald E. Wuetcher
Executive Advisor/Attorney
Public Service Commission of Kentucky
gerald.wuetcher@ky.gov
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Direct: [\(502\) 782-2590](tel:(502)782-2590)
Cell: [\(502\) 229-6500](tel:(502)229-6500)

From: [Mike Maggard](#)
To: [Wuetcher, Jerry \(PSC\)](#)
Subject: Case #2013-00388 - Hyden - Leslie County Water District
Date: Thursday, January 09, 2014 2:22:18 PM
Attachments: [SKMBT_C36014010915070.pdf](#)

Jerry,

Please find attached response letter per your request from Randy Jones.

Thanks,

Mike Maggard
Sisler - Maggard Engineering
859-271-2978



SISLER-MAGGARD ENGINEERING, PLLC

220 EAST REYNOLDS ROAD, SUITE A3

LEXINGTON, KY 40517

(859) 271-2978

Fax (859) 271-5670

Email: sme@sislermaggard.com

January 9, 2014

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

Attn: Mr. Jeff Derouen, Executive Director

Ref: Case# 2013 - 00388
Contract No. 15 and Contract No. 16
Hyden-Leslie County Water District
SME # 07080

Dear Mr. Derouen:

The initial phases of construction on the project commenced in anticipation of receiving the Certificate of Public Convenience and Necessity by the end of 2013 and since the Certificate was not received, we have ceased construction.

Construction of the project will not be resumed until the Certificate is issued.

We apologize for any inconvenience that we have caused.

We are just trying to provide potable drinking water to a very distressed part of the state that currently has the highest unemployment rate in the state due to recent downturn in the coal business.

Sincerely,

A handwritten signature in black ink that reads "Michael K. Maggard". The signature is written in a cursive style with a large, looped "M" and "G".

Michael K. Maggard
MKM/dc

cc/ Leihman Howard, HLCWD
Rubin & Hays

From: [Wuetcher, Jerry \(PSC\)](#)
To: wrjones@rubinhays.com
Bcc: [Wakim, George W \(PSC\)](#); [Rice, James D \(PSC\)](#)
Subject: Case No. 2013-00388: Hyden-Leslie County Water District
Date: Wednesday, January 08, 2014 3:22:40 PM
Importance: High

Mr. Jones:

In its response to the PSC Staff's Request for Information, Hyden-Leslie County Water District indicated that it intended to begin construction of the proposed facilities on 1/6/2014. KRS 278.020(5) requires that a utility must obtain a Certificate of Public Convenience and Necessity prior to commencing the construction of facilities that are used to provide utility service. Please advise by return e-mail message at the earliest possible date as to whether Hyden-Leslie County Water District has commenced construction of the proposed facilities and the current status of Hyden-Leslie County Water District's construction efforts.

Respectfully,

Gerald E. Wuetcher
Executive Advisor/Attorney
Public Service Commission of Kentucky
gerald.wuetcher@ky.gov
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Direct: (502) 782-2590
Cell: (502) 229-6500