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

November 29, 2005

RECEIVED

NOV 30 2005

PUBLIC SERVICE
COMMISSION

RE: Boone County, Kentucky - Application for an Adjustment of Rate

Dear Ms. O'Donnell:

I am enclosing herewith one (1) original and 10 copies of an application, with accompanying exhibits, requesting that the Public Service Commission grant a Purchase Water Adjustment to the County of Boone, Kentucky as it relates to their plans to finance, construct, operate and maintain a public water distribution system to an unserved area in southern and western Boone County. The Petition is in addition to previous filings and serves as a response to the informal conference between the County, myself and members of the staff at the Public Service Commission as a result of the initial filing of a Petition on behalf of the County.

I have also provided, under separate cover, two (2) complete and detailed plans of the entire project, including engineering reports and blueprints of the project.

Thank you in advance for your assistance. Please feel free to contact me or Jim Parsons at the County should you have any questions concerning the project or the application.

Yours truly,

Vince Gabbert
Attorney-at-Law

Enclosures

cc: Distribution List

700 Walnut Street
Suite 600
Cincinnati, OH
45202

513/381-3939
fax: 513/381-0124

1219 Assembly Street
Suite 202
Columbia, SC
29201

803/765-1004
fax: 803/765-1088

1900 Envoy Circle
Suite 1920
Louisville, KY
40299

502/491-3939
fax: 502/491-9979

5217 Maryland Way
Suite 302
Brentwood, TN
37027

615/370-6262
fax: 615/370-9669



ROSS, SINCLAIRE & ASSOCIATES, INC.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

NOV 30 2005

PUBLIC SERVICE
COMMISSION

In the Matter of:

SUPPLEMENTAL APPLICATION OF THE)
COUNTY OF BOONE,)
FOR AN ADJUSTMENT OF RATE) CASE NO. 2005-00291

PETITION

COMES NOW, the County of Boone ("County"), through counsel, and pursuant to KRS 278.180; 807 KAR 5:001, and all applicable law, and pursuant to an informal conference with Public Service Commission staff on November 14, 2005, respectfully petitions the Public Service Commission (the "Commission") for an order authorizing an adjustment in the existing water rates of Boone County, and in support thereof provides the following information in accordance with the Commission's regulations:

1. The County's address is P.O. Box 900, Burlington, KY 41005. The County is a political subdivision of the State of Kentucky. The County is governed by a fiscal court consisting of one publically elected county Judge/Executive and three publically elected commissioners.

2. The County is applying for an adjustment in water rates pursuant to KRS 278.180; 807 KAR, Chapter 5, and all applicable law. Adjustment of the County's water rates is necessary to permit Boone County to recover additional revenue to meet the increases cost of purchased water when the County, by and through the Boone County Water District commences and increases the

amount of purchased water from the Boone-Florence Water Commission. Boone County seeks to recover revenue necessary to cover the increased cost of purchased water.

3. Boone County's annual reports, including the annual report for the most recent fiscal year are on file with the Commission in accordance with 807 KAR 5:006, Section 3 (1).

4. The proposed project is necessary to provide a potable supply of water to an unserved area of the County where it is not currently economically feasible to extend a public water supply without a subsidy by the County to meet the scheduled principal and interest requirements of the bonds.

5. Pursuant to 807 KAR 5:006, Section 10(6)(a) and (h), due to the purchase water adjustment calculations attached as Exhibit A, a summary of Boone County's determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, is not applicable and/or a waiver is requested. Boone County has determined its revenue requirements by making the calculations which would be utilized for a purchased water adjustment. The County is requesting an increase in rates only to raise sufficient revenue to cover the increased cost of purchased water. Analysis is based on a total construction cost of \$3,815,378.00, of which \$2,548,148 will be financed at a projected rate of 2.71% from a Kentucky Infrastructure Authority loan, with commitment letter attached as Exhibit B. The balance will be funded through federal, state and local grants.

6. Pursuant to Section 10(6)(o), a waiver is hereby requested pursuant to the purchase water adjustment.

7. The County respectfully requests a waiver of the monthly managerial reports, pursuant 807 KAR 5:001, Section 10(6)(r). This section is not applicable to the current filing and a waiver is requested.

8. The County respectfully requests a waiver, based on the a purchase water adjustment

filing, including previous filings and attached Exhibits, pursuant to 807 KAR 5:001, Sections 10(7)(a)-(d). These sections are not applicable to the current filing and a waiver the above-referenced sections is requested. All other applicable information is contained within previously filed and currently attached Exhibits, as well as previously filed tariffs and annual reports.

9. Pursuant to KRS 278.180, please accept this filing as notice of rates with no effective date yet determined pending Commission approval.

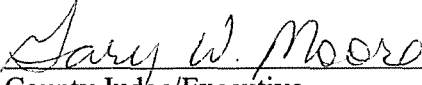
10. Two complete and full sets of the proposed plans, engineering reports and blueprints have been provided under separate cover to Public Service Commission staff.

The County requests that it be granted an order authorizing:

- i) construction of the Subdistrict B waterworks distribution system;
- ii) a schedule of rates that are the same rates charged the customers of the Boone County Water District, plus a surcharge be paid by each customer equal to \$25.00 for each 10,000 gallons or any portion thereof of water consumed each month.

IN WITNESS WHEREOF, the County has caused this Petition to be executed in their name
by their duly authorized officer and a copy of this Petition served on the parties listed below.

BOONE COUNTY, KENTUCKY



County Judge/Executive

Copies:

Greg Stumbo
Attorney General

Marilyn K. Rouse
County Clerk

EXHIBIT A

PURCHASE WATER ADJUSTMENT FACTOR AND TARIFF CALCULATION

PWA Factor

	From 2004 Annual Report
Boone County Water District	
Water Sales	1,856,953,000.00
Water Purchased	2,000,122,000.00
Percent Sold to Purchased	<u>92.8420%</u>
County of Boone	
Water Sales from 2004 Annual Report	10,462,000.00
Divide by: Districts Sold to Purchased Percentage	92.8420%
Gallons to be Purchased by District to Serve County	<u>11,268,608.50</u>
Current water rate	2.65
Less: Base water rate	1.44
Difference	<u>1.21</u>
Difference in water rates	1.21
Times: Thousand Gallons to be Purchased	<u>11,268.61</u>
Cost to be recovered	13,635.02
Divided by: Thousand Gallons Sold	<u>10,462.00</u>
Thousand Gallon PWA Factor	<u>1.30</u>

Tariff Calculation

Current Rates	PWA Factor	Resulting Rates	Requested Rates
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Schedule A for all customers except multiple occupancy buildings and mobile home parks.

First 3,000 gallons	11.58	+	3.91	=	15.49	15.45
Next 2,000 gallons	3.36	+	1.30	=	4.66	4.65
Next 5,000 gallons	3.11	+	1.30	=	4.41	4.40
All Over 10,000 gallons	2.36	+	1.30	=	3.66	3.65

Schedule B for occupancy buildings and mobile home parks.

First 3,000 gallons	11.58	+	3.91	=	15.49	15.45
Next 2,000 gallons	3.86	+	1.30	=	5.16	5.15
Next 5,000 gallons	3.36	+	1.30	=	4.66	4.65
Next 140,000 gallons	3.11	+	1.30	=	4.41	4.40
All Over 150,000 gallons	2.36	+	1.30	=	3.66	3.65

Minimum Bill for each Meter Size

		Schedule A	Schedule B		
		Calculated	Requested	Calculated	Requested
5/8 - 3/4 Meter	3,000 gallons	15.49	15.45	15.49	15.45
1"	5,000 gallons	24.82	24.75	25.82	25.75
1 1/2"	9,000 gallons	42.47	42.35	44.47	44.35
2"	11,000 gallons	50.55	50.40	53.55	53.40
3"	21,000 gallons	87.18	86.90	97.68	97.40
4"	29,000 gallons	116.49	116.10	132.99	132.60
6" and Larger	100,000 gallons	376.58	375.25	446.33	445.00

Please note that the requested rates are slightly less than the calculated rates as a result of rounding down to the next nickle. This rounding will not result in a material undercollection of revenues and provides ease and convenience to the County and its billing agent, Boone County Water District, whose rates are equal to the proposed rates.

Test of Tariff

End of Year Number of Customers, 12/31/04	170.00
Beginning of the Year Number of Customers, 12/31/03	<u>115.00</u>
Total	285.00
Divide by: 2	<u>2.00</u>
Average Number of Customers	<u><u>142.50</u></u>
Gallons Sold for 2004	10,462,000
Divided by: Average Number of Customers	142.50
Divided by: 12 months	<u>12.00</u>
Average Monthly Usage	<u><u>6,118.13</u></u>
Annual revenue at current rates applied to average usage	
Monthly bill for average usage of 6,118.13 at current rates	21.78
Times: Average Number of Customers	142.50
Times: 12 Months	<u>12.00</u>
Revenue at Current Rates	<u><u>37,243.80</u></u>
Annual revenue at proposed rates applied to average usage	
Monthly bill for average usage of 6,118.13 at proposed rates	29.67
Times: Average Number of Customers	142.50
Times: 12 Months	<u>12.00</u>
Revenue at Proposed Rates	<u><u>50,735.70</u></u>
Revenue at roposed rates applied to average usage	50,735.70
Less: Revenue at current rates applied to average usage	<u>(37,243.80)</u>
Increase in Revenue	13,491.90
Cost to be Recovered	<u>13,635.02</u>
Difference due to rounding to lowest nickle	<u><u>(143.12)</u></u>

EXHIBIT B

KIA LOAN COMMITMENT LETTER



KENTUCKY INFRASTRUCTURE AUTHORITY

Ernie Fletcher
Governor

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

Jody E. Hughes
Executive Director

June 10, 2005

The Honorable Gary W. Moore
Boone County Judge/Executive
Boone County Fiscal Court
P.O. Box 900
Burlington, Kentucky 41005

KENTUCKY INFRASTRUCTURE AUTHORITY INFRASTRUCTURE REVOLVING LOAN FUND CONDITIONAL LOAN COMMITMENT

Dear Judge Moore:

The Kentucky Infrastructure Authority ("KIA") commends your efforts towards improved public service facilities in your community. KIA at its board meeting of March 3, 2005 approved your loan application for a Fund B project in the amount of \$2,548,148.

A loan agreement will be executed between KIA and the ^{Boone} Hart County Fiscal Court upon satisfactory performance of the conditions set forth in this letter. A period of eleven (11) months from the date of this letter will be allowed for you to meet the conditions and enter the loan agreement. A one-time extension of six months may be granted with acceptable justification. Funds will be available for disbursement only after execution of the loan agreement.

The loan agreement and this commitment shall be subject, but not limited to the following terms:

1. The KIA construction loan shall not exceed \$2,548,148.
2. The loan shall bear interest at the rate of 2.71% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period of 30 years from the date this loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.

5. Full principal payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of two-tenths of one percent of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Annual revenues equaling ten percent of the annual debt service on this loan shall be set aside in a repair and maintenance fund until such fund has a balance equal to five percent of the original loan amount.
8. Loan funds will be disbursed after execution of the loan agreement as project cost is incurred.
9. The final loan agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the loan agreement or incorporated in the loan agreement. Any required documentation must be submitted to the Authority.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.
3. Documentation of final funding commitments from all parties other than the Authority shall be provided to the Authority prior to the pre-closing of the Authority loan and disbursement of the loan moneys. Rejections of any anticipated project funding or any new sources or funding shall be immediately reported to the Authority and cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.

Judge Gary Moore
June 10, 2005
Page 3

5. Any required adjustment in utility service rates shall be adopted by ordinance or resolution by the appropriate governing board. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
6. All easements or purchases of land shall be completed prior to commencement of construction and prior to execution of the loan agreement. Certification of said acquisitions shall be provided to the Authority.

The following are the special conditions to be satisfied prior to execution of the loan agreement or incorporated in the loan agreement.

1. The Fiscal Court is subject to a Debt Hearing with the State Local Debt Office, and shall comply with its findings relative to the KIA loan.
2. The Fiscal Court shall submit a copy of its budget annually to the Authority upon approval by the State Local Debt Office.

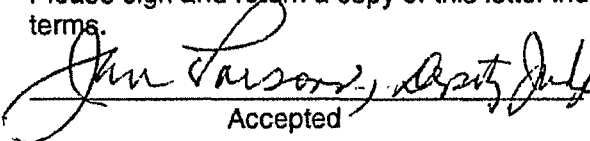
Please inform the Authority of any changes in your financing plan as soon as possible. We will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project, which will benefit both your community and the Commonwealth as a whole.

Sincerely,


Jody E. Hughes
Executive Director

c: State Local Debt Officer, Governor's Office for Local Development

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms.


Accepted

06/22/05
Date