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Gregory N.
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November 30, 2009

Public Service Commission
Attn: Mr. Jeff Derouen, Executive Director
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED
DEC - 1 2009
PUBLIC SERVICE
COMMISSION

Re: Bullock Pen Water District
Case No. 2008-00170

Dear Mr. Derouen:

Enclosed please find ten (10) originals of the Written Response to the PSC's Order entered herein on November 20, 2009. As contained in the Written Response, the District would request an informal conference with the PSC only as it relates to unauthorized debt in violation of KRS 278.300.

If you have any questions, please do not hesitate to call.

Very truly yours,

BERGER, COX & NIENABER


Thomas R. Nienaber

TRN/css
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
DEC - 1 2009
PUBLIC SERVICE
COMMISSION

In the matter of:

THE APPLICATION OF BULLOCK PEN WATER)
DISTRICT FOR A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO CONSTRUCT) Case No. 2008-00170
PROPOSED WATERWORKS IMPROVEMENT)
PROJECT AND FOR APPROVAL OF PROPOSED)
PLAN OF FINANCING, INCREASE IN RATES,)
NONRECURRING CHARGES, AND TARIFF)
REVISIONS)

WRITTEN COMMENTS OF APPLICANT BULLOCK PEN WATER DISTRICT TO
THE PUBLIC SERVICE COMMISSION'S ORDER
AND
AMENDED APPLICATION TO INCREASE WATER RATES

Comes now the Bullock Pen Water District (“Bullock Pen”) and submits the following Written Comments to the Public Service Commission’s (“PSC”) Order entered November 20, 2009. Bullock Pen also hereby amends its Application for a water rate adjustment to request rates set forth in Appendix E (Exhibit 58, attached) of the PSC’s Order entered November 20, 2009.

I. AMENDED APPLICATION FOR WATER RATE ADJUSTMENT

Comes now Bullock Pen through its Chairman Bobby Burgess and pursuant to duly authorized and adopted Resolution of its Board of Commissioners hereby amends its Application for approval of increase rates. Bullock Pen amends its previous Application filed herein to reflect an increase water rate adjustment schedule consistent with those rates set forth in the attached Appendix E (Exhibit 58). In all other respects, Bullock Pen’s Application and all supplements thereto shall remain the same.

Bullock Pen attaches hereto as Exhibit 59 its Public Notice of Proposed Adjustment of Water Rates and Charges which will be published by Bullock Pen pursuant to 807 KAR 5:011, Section 8.

II. COMMENTS RELATING TO KRS 278.300 VIOLATIONS

A. In response to the PSC's comments concerning the 2005 violation of KRS 278.300, the District would state that during 2002, Bullock Pen, in conjunction with various other Water Districts throughout the Commonwealth, entered into a refinancing plan through the Kentucky Rural Water Association ("KRWA"). As a part of that refinancing plan, Bullock Pen paid off the then existing Series 1985A Debt Service; Series 1987A Debt Service; and Series 1987B Debt Service. At the time of that refinancing, Bullock Pen was paying interest rates of 8.375%, 7.375% and 6.50% respectively on those then existing outstanding debts. Bullock Pen was approached by KRWA and its various representatives offering a refinancing plan with an interest rate of approximately 3.15 to 5% interest. Bullock Pen was unaware, along with the other 27 participating water districts and KRWA, that the refinancing plan would require approval of the PSC pursuant to 278.300. As a result of that refinancing plan, Bullock Pen was able to save approximately \$317,378.00 in addition to an earlier payoff date. Bullock Pen would incorporate herein by reference Exhibit 60 which identifies Bullock Pen's savings and refinancing plan. Bullock Pen did not willfully intend to violate any provision of KRS 278.300.

B. The PSC has also brought to Bullock Pen's attention a violation of KRS 278.300 in that Bullock Pen entered into a Lease Agreement with Daimler Chrysler Service North America, LLC for the purchase of a dump truck. Again, Bullock Pen, as it has said in previous Responses (see Exhibit 47), did not intentionally or willfully violate the provisions of KRS 278.300. Bullock Pen has previously taken the position that it did not believe that PSC approval

for that lease arrangement was necessary. This position was taken by Bullock Pen on advice of counsel. Notwithstanding that position, Bullock Pen has informed the PSC that Bullock Pen **will not** enter into any further financing arrangements similar to that of Daimler Chrysler Service North America, LLC without PSC approval. Bullock Pen would like to emphasize to the PSC in this responsive comment that it has not nor will it ever intentionally or willfully violate any provision of KRS 278.300. Bullock Pen would note that it was notified by the PSC of the alleged violation of KRS 278.300 on October 24, 2005 after an audit by the PSC's Staff Accounting Inspection (Exhibit 46). The lease arrangements with Daimler Chrysler Service North America, LLC was entered into prior to that date on October 12, 2005. Having been informed of that alleged violation of KRS 278.300 by the PSC, Bullock Pen announced in its November 25, 2005 Response (Exhibit 47) that in the future it would not enter into any additional lease of that nature without PSC approval. Bullock Pen stands by that position and representation to the PSC. Bullock Pen would also like to emphasize that in meetings with PSC subsequent to November, 2005, Bullock Pen was reminded of the violation when it entered into its financing with Daimler Chrysler North America Service, LLC. In those meetings with the PSC involving unrelated matters, Bullock Pen has stated to the PSC that it would not enter into any similar lease arrangements in the future without PSC approval.

III. REQUEST FOR LIMITED INFORMAL CONFERENCE

Bullock Pen would request that the PSC schedule an informal conference with Bullock Pen to discuss the two alleged violations of KRS 278.300. In all other respects, Bullock Pen accepts the Report and Order of the PSC entered October 20, 2009 except that Bullock Pen intends to seek the increase adjusted water rate as set forth in Appendix E.

BULLOCK PEN WATER DISTRICT

BY: *Bobby Burgess*
BOBBY BURGESS, CHAIRMAN

COMMONWEALTH OF KENTUCKY

COUNTY OF GRANT

SUBSCRIBED, SWORN AND ACKNOWLEDGED before by Bobby Burgess,
Chairman, Bullock Pen Water District, this 30th day of November, 2009,

[Signature]
Notary Public
My Commission Expires: 3/2+12

Respectfully submitted,

BERGER, COX & NIENABER, PSC

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

cc: Public Service Commission, Attn: Mr. David R. McDowell
Ms. Stephanie Stumbo, Executive Director
Kentucky Attorney General's Office
Ms. Carryn Lee

EXHIBIT “58”

APPENDIX E
 STAFF REPORT CASE NO. 2008-00170
 RATES AND CHARGES
 BULLOCK PEN COULD JUSTIFY

RATES AND CHARGES

5/8" x 3/4" Meter:

First	2,000 gallons	\$ 26.59	Minimum bill
Next	3,000 gallons	\$ 8.80	per 1,000 gallons
Next	5,000 gallons	\$ 7.96	per 1,000 gallons
Next	10,000 gallons	\$ 7.11	per 1,000 gallons
All Over	20,000 gallons	\$ 6.26	per 1,000 gallons

1" Meter:

First	5,000 gallons	\$ 52.99	Minimum bill
Next	5,000 gallons	\$ 7.96	per 1,000 gallons
Next	10,000 gallons	\$ 7.11	per 1,000 gallons
All Over	20,000 gallons	\$ 6.26	per 1,000 gallons

1 1/2" Meter:

First	10,000 gallons	\$ 92.79	Minimum bill
Next	10,000 gallons	\$ 7.11	per 1,000 gallons
All Over	20,000 gallons	\$ 6.26	per 1,000 gallons

2" Meter:

First	20,000 gallons	\$ 163.89	Minimum bill
All Over	20,000 gallons	\$ 6.26	per 1,000 gallons

Bulk Loading Station \$ 6.98 per 1,000 gallons

Phase 6 Surcharge \$ 15.00

NONRECURRING CHARGES

Meter Reread	\$ 35.00
Meter Test	\$ 50.00
Reconnection	\$ 50.00
Service Call - Investigation	\$ 35.00
Meter Relocation	Actual Cost

EXHIBIT “59”

**PUBLIC NOTICE OF PROPOSED ADJUSTMENT OF WATER
RATES AND CHARGES
BULLOCK PEN WATER DISTRICT**

Notice is hereby given that the Bullock Pen Water District (“District”) has filed an application with the Public Service Commission of Kentucky (“PSC”) seeking approval of revised water rates and non-recurring charges. The District plans to implement rates upon approval of the PSC.

<u>Increments</u>	<u>Proposed Rates</u>	<u>Current Rates</u>	<u>Percentage Increase</u>
First 2,000 gallons	26.59	18.28	46
Next 3,000 gallons	8.80	6.15	43
Next 5,000 gallons	7.96	5.54	43
Next 10,000 gallons	7.11	4.93	44
Over 20,000 gallons	6.26	4.31	45
 Bulk Loading Station	 \$6.98 per 1,000 gallons		
 Phase 6 Surcharge	 \$15.00		

The average bill based on 5,000 gallons will increase from \$36.73 to \$52.99 an increase of \$16.26 or 44 percent. The minimum bill for 1 inch connections is \$52.99. For 1 ½ inch connections the minimum bill is \$92.79. The minimum bill for 2 inch connections is \$163.89.

<u>Charge</u>	<u>Current</u>	<u>Proposed</u>
Late Payment Penalty	10%	10%
Meter Reread	15.00	35.00
Meter Test	15.00	50.00
Reconnection	35.00	50.00
Returned Check	20.00	No change
Service Call – Investigation	15.00	35.00
Connection Fee 5/8 inch	1,000.00	No change
1 Inch	1,400	No change
Phase 5 Surcharge	15.00	10.00
KIA Project	0	15.00
Bulk Loading Station	5.85	6.17
Deposits	10% of Estimate Bill	10% of Estimated Bill
Meter Relocation	Actual Cost	Actual Cost

The rates contained in this notice are the rates proposed by the District. However, the PSC may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates included in this notice.

Customers of the District are advised that any corporation, District, body public, or person with a substantial interest in the matter may, and showing grounds for the request, may

EXHIBIT “60”

Bullock Pen Water District
Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds, Series 2002
Issued 7/31/2002

	Bond Principal	Interest Rate	Total Debt Service & Fees	Maturity Date
KRW Bonds, Series 2002	<u>574,000</u>	3.15% - 5%	<u>851,823</u>	1/1/2021

KRW Bonds were issued to pay off 3 USDA Bond issues as follows:

USDA Series 1985A	172,000	8.375%	380,119	1/1/2024
USDA Series 1987A	221,000	7.375%	492,289	1/1/2027
USDA Series 1987B	<u>147,000</u>	6.500%	<u>296,793</u>	1/1/2027
USDA Totals	<u>540,000</u>		<u>1,169,201</u>	

Savings to the District **317,378**

In addition to the savings, the bonds will be paid off earlier than the original bonds that were paid off.

Please see the attached schedule with details of each bond issue to document the savings and early payoff

WATER DISTRICT
 URAL WATER FINANCE CORPORATION
 RM FINANCE PROGRAM

ANALYSIS

Sources and Uses of Funds			
Sources		Uses	
Par Amount of Bonds	\$574,000	Refund Escrow Deposit	\$543,438
Discount	(1,465)	Cost of Issuance & Underwriting	25,239
Accrued Interest	1,044	PSC Filing Fee	2,500
		Bond Rounding	1,358
		Accrued Interest	1,044
Total	\$573,579	Total	\$573,579

Estimated Debt Service/KRWFC Program				Trustee Fee	Total Debt Service	Series 1985 A Debt Service			Series 1987 A Debt Service			Series 1987 B Debt Service			Annual Savings	Cumulative Savings
Principal	Interest Rate	Interest	New Debt Service			Interest Rate: 8.375%			Interest Rate: 7.375%			Interest Rate: 6.50%				
						Principal	Interest	Prior Debt Service	Principal	Interest	Prior Debt Service	Principal	Interest	Prior Debt Service		
\$0		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21,000	3.150%	23,368	44,368	350	44,718	3,000	14,279	17,279	3,000	16,188	19,188	2,500	9,474	11,974	\$3,724	3,724
23,000	3.150%	22,609	45,609	350	45,959	3,000	14,028	17,028	3,000	15,967	18,967	2,500	9,311	11,811	1,847	5,571
23,000	3.150%	21,885	44,885	350	45,235	3,000	13,777	16,777	3,000	15,746	18,746	3,000	9,133	12,133	2,421	7,991
23,000	3.150%	21,160	44,160	350	44,510	3,000	13,526	16,526	3,000	15,524	18,524	3,000	8,938	11,938	2,478	10,469
23,000	3.150%	20,436	43,436	350	43,786	4,000	13,233	17,233	4,000	15,266	19,266	3,000	8,743	11,743	4,456	14,925
26,000	3.400%	19,631	45,631	350	45,981	4,000	12,898	16,898	4,000	14,971	18,971	3,500	8,531	12,031	1,919	16,843
27,000	3.650%	18,697	45,697	350	46,047	4,000	12,563	16,563	4,000	14,676	18,676	3,500	8,304	11,804	996	17,839
28,000	3.775%	17,675	45,675	350	46,025	5,000	12,186	17,186	5,000	14,344	19,344	4,000	8,060	12,060	2,565	20,404
29,000	3.900%	16,581	45,581	350	45,931	5,000	11,767	16,767	5,000	13,976	18,976	4,000	7,800	11,800	1,611	22,015
29,000	4.025%	15,432	44,432	350	44,782	6,000	11,306	17,306	6,000	13,570	19,570	4,500	7,524	12,024	4,118	26,133
30,000	4.150%	14,226	44,226	350	44,576	6,000	10,804	16,804	6,000	13,128	19,128	4,500	7,231	11,731	3,087	29,220
31,000	4.150%	12,960	43,960	350	44,310	7,000	10,259	17,259	7,000	12,648	19,648	5,000	6,923	11,923	4,520	33,739
33,000	4.400%	11,591	44,591	350	44,941	8,000	9,631	17,631	8,000	12,132	19,132	5,500	6,581	12,081	3,903	37,643
33,000	4.500%	10,123	43,123	350	43,473	8,000	8,961	16,961	8,000	11,579	19,579	5,500	6,224	11,724	4,791	42,434
35,000	4.600%	8,575	43,575	350	43,925	9,000	8,249	17,249	9,000	10,989	18,989	6,000	5,850	11,850	4,163	46,597
37,000	4.700%	6,901	43,901	350	44,251	10,000	7,454	17,454	10,000	10,362	19,362	6,500	5,444	11,944	4,509	51,106
39,000	4.800%	5,095	44,095	350	44,445	11,000	6,574	17,574	11,000	9,624	20,624	7,000	5,005	12,005	5,759	56,865
41,000	4.900%	3,155	44,155	350	44,505	12,000	5,611	17,611	12,000	8,776	20,776	7,500	4,534	12,034	5,917	62,782
43,000	5.000%	1,075	44,075	350	44,425	13,000	4,564	17,564	13,000	7,891	19,891	7,500	4,046	11,546	4,577	67,358
0	0	0	0	0	0	14,000	3,434	17,434	14,000	6,933	20,933	8,000	3,543	11,543	49,909	117,267
0	0	0	0	0	0	15,000	2,219	17,219	15,000	5,863	20,863	9,000	2,990	11,990	50,073	167,340
0	0	0	0	0	0	19,000	796	19,796	16,000	4,720	20,720	9,500	2,389	11,889	52,404	219,744
0	0	0	0	0	0	0	0	0	17,000	3,503	20,503	10,000	1,755	11,755	32,258	252,002
0	0	0	0	0	0	0	0	0	19,000	2,176	21,176	10,500	1,089	11,589	32,764	284,767
0	0	0	0	0	0	0	0	0	20,000	738	20,738	11,500	374	11,874	32,611	317,378
\$574,000		\$271,173	\$845,173	\$6,650	\$851,823	\$172,000	\$208,119	\$380,119	\$221,000	\$271,289	\$492,289	\$147,000	\$149,793	\$296,793	\$318,871 ⁽ⁿ⁾	318,871 ⁽ⁿ⁾

of \$1,493.31 is added to the total savings.

**Bullock Pen Water District
Damiler Chrysler Lease**

Commencement Date 10/17/2005

Pay Off Date 10/17/2010

Interest Rate 4.94%

For the purchase of a 2006 Freightliner Truck

Model # M2106

Serial # 1FVACXDJ16HW25500

See Attached Installment Payment Schedule

EXHIBIT A-1

INSTALLMENT PAYMENT SCHEDULE

Pmt #	Payment Date	Payment Amount	Interest	Principal	Purchase Price	Outstanding Balance
	10/17/2005					\$64,371.00
1	11/17/2005	\$1,212.99	\$264.99	\$948.00	\$64,691.46	\$63,423.00
2	12/17/2005	\$1,212.99	\$261.09	\$951.90	\$63,720.52	\$62,471.10
3	1/17/2006	\$1,212.99	\$257.17	\$955.82	\$62,745.59	\$61,515.28
4	2/17/2006	\$1,212.99	\$253.24	\$959.75	\$61,766.64	\$60,555.53
5	3/17/2006	\$1,212.99	\$249.29	\$963.70	\$60,783.66	\$59,591.83
6	4/17/2006	\$1,212.99	\$245.32	\$967.67	\$59,796.64	\$58,624.15
7	5/17/2006	\$1,212.99	\$241.34	\$971.66	\$58,805.55	\$57,652.50
8	6/17/2006	\$1,212.99	\$237.34	\$975.66	\$57,810.38	\$56,676.84
9	7/17/2006	\$1,212.99	\$233.32	\$979.67	\$56,811.11	\$55,697.17
10	8/17/2006	\$1,212.99	\$229.29	\$983.70	\$55,807.74	\$54,713.47
11	9/17/2006	\$1,212.99	\$225.24	\$987.75	\$54,800.23	\$53,725.71
12	10/17/2006	\$1,212.99	\$221.17	\$991.82	\$53,788.57	\$52,733.89
13	11/17/2006	\$1,212.99	\$217.09	\$995.90	\$52,772.75	\$51,737.99
14	12/17/2006	\$1,212.99	\$212.99	\$1,000.00	\$51,752.74	\$50,737.98
15	1/17/2007	\$1,212.99	\$208.87	\$1,004.12	\$50,728.54	\$49,733.86
16	2/17/2007	\$1,212.99	\$204.74	\$1,008.25	\$49,700.12	\$48,725.61
17	3/17/2007	\$1,212.99	\$200.59	\$1,012.40	\$48,667.47	\$47,713.21
18	4/17/2007	\$1,212.99	\$196.42	\$1,016.57	\$47,630.57	\$46,696.63
19	5/17/2007	\$1,212.99	\$192.23	\$1,020.76	\$46,589.39	\$45,675.88
20	6/17/2007	\$1,212.99	\$188.03	\$1,024.96	\$45,543.94	\$44,650.92
21	7/17/2007	\$1,212.99	\$183.81	\$1,029.18	\$44,494.17	\$43,621.74
22	8/17/2007	\$1,212.99	\$179.58	\$1,033.42	\$43,440.09	\$42,588.32
23	9/17/2007	\$1,212.99	\$175.32	\$1,037.67	\$42,381.67	\$41,550.65
24	10/17/2007	\$1,212.99	\$171.05	\$1,041.94	\$41,318.89	\$40,508.71
25	11/17/2007	\$1,212.99	\$166.76	\$1,046.23	\$40,251.73	\$39,462.48
26	12/17/2007	\$1,212.99	\$162.45	\$1,050.54	\$39,180.18	\$38,411.94
27	1/17/2008	\$1,212.99	\$158.13	\$1,054.86	\$38,104.22	\$37,357.08
28	2/17/2008	\$1,212.99	\$153.79	\$1,059.20	\$37,023.83	\$36,297.88
29	3/17/2008	\$1,212.99	\$149.43	\$1,063.57	\$35,939.00	\$35,234.31
30	4/17/2008	\$1,212.99	\$145.05	\$1,067.94	\$34,849.70	\$34,166.37
31	5/17/2008	\$1,212.99	\$140.65	\$1,072.34	\$33,755.91	\$33,094.03
32	6/17/2008	\$1,212.99	\$136.24	\$1,076.75	\$32,657.62	\$32,017.27
33	7/17/2008	\$1,212.99	\$131.80	\$1,081.19	\$31,554.81	\$30,936.09
34	8/17/2008	\$1,212.99	\$127.35	\$1,085.64	\$30,447.46	\$29,850.45
35	9/17/2008	\$1,212.99	\$122.88	\$1,090.11	\$29,335.55	\$28,760.34
36	10/17/2008	\$1,212.99	\$118.40	\$1,094.59	\$28,219.06	\$27,665.75
37	11/17/2008	\$1,212.99	\$113.89	\$1,099.10	\$27,097.98	\$26,566.65
38	12/17/2008	\$1,212.99	\$109.37	\$1,103.63	\$25,972.28	\$25,463.02
39	1/17/2009	\$1,212.99	\$104.82	\$1,108.17	\$24,841.95	\$24,354.85
40	2/17/2009	\$1,212.99	\$100.26	\$1,112.73	\$23,706.96	\$23,242.12
41	3/17/2009	\$1,212.99	\$95.68	\$1,117.31	\$22,567.31	\$22,124.81
42	4/17/2009	\$1,212.99	\$91.08	\$1,121.91	\$21,422.96	\$21,002.90
43	5/17/2009	\$1,212.99	\$86.46	\$1,126.53	\$20,273.90	\$19,876.37
44	6/17/2009	\$1,212.99	\$81.82	\$1,131.17	\$19,120.11	\$18,745.20
45	7/17/2009	\$1,212.99	\$77.17	\$1,135.82	\$17,961.57	\$17,609.38
46	8/17/2009	\$1,212.99	\$72.49	\$1,140.50	\$16,798.26	\$16,468.88
47	9/17/2009	\$1,212.99	\$67.80	\$1,145.19	\$15,630.16	\$15,323.68
48	10/17/2009	\$1,212.99	\$63.08	\$1,149.91	\$14,457.25	\$14,173.78

Pmt #	Payment Date	Payment Amount	Interest	Principal	Purchase Price	Outstanding Balance
49	11/17/2009	\$1,212.99	\$58.35	\$1,154.64	\$13,279.51	\$13,019.13
50	12/17/2009	\$1,212.99	\$53.60	\$1,159.40	\$12,096.93	\$11,859.74
51	1/17/2010	\$1,212.99	\$48.82	\$1,164.17	\$10,909.48	\$10,695.57
52	2/17/2010	\$1,212.99	\$44.03	\$1,168.96	\$9,717.14	\$9,526.61
53	3/17/2010	\$1,212.99	\$39.22	\$1,173.77	\$8,519.89	\$8,352.83
54	4/17/2010	\$1,212.99	\$34.39	\$1,178.61	\$7,317.71	\$7,174.23
55	5/17/2010	\$1,212.99	\$29.53	\$1,183.46	\$6,110.58	\$5,990.77
56	6/17/2010	\$1,212.99	\$24.66	\$1,188.33	\$4,898.49	\$4,802.44
57	7/17/2010	\$1,212.99	\$19.77	\$1,193.22	\$3,681.40	\$3,609.22
58	8/17/2010	\$1,212.99	\$14.86	\$1,198.13	\$2,459.31	\$2,411.08
59	9/17/2010	\$1,212.99	\$9.93	\$1,203.07	\$1,232.18	\$1,208.02
60	10/17/2010	\$1,212.99	\$4.97	\$1,208.02	\$0.00	\$0.00
Totals:		\$72,779.49	\$8,408.49	\$64,371.00	Rate 4.940%	

COMMENCEMENT DATE: October 17, 2005

Bullock Pen Water District

By: William R. Collett

Title: Superintendent

Date: 10-12-05