

**DAMON R. TALLEY, P.S.C.**

112 N. LINCOLN BLVD.  
P.O. BOX 150  
HODGENVILLE, KENTUCKY 42748

TEL. (270) 358-3187  
FAX (270) 358-9560

DAMON R. TALLEY

ATTORNEY AT LAW

August 19, 2009

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

**RECEIVED**

AUG 20 2009

PUBLIC SERVICE  
COMMISSION

RE: Case No. 2009-00162  
Green River Valley Water District

Dear Mr. Derouen:

Enclosed are the original and ten (10) copies of the Amended Application of the Green River Valley Water District.

The construction bids for the project for which Green River Valley Water District seeks a Certificate of Public Convenience and Necessity **expire on August 26, 2009.**

Yours truly,

DAMON R. TALLEY, P.S.C.



DAMON R. TALLEY, CO-COUNSEL FOR  
GREEN RIVER VALLEY WATER DISTRICT

DRT:ms

Enclosures

cc: Hon Pat Ross, Attorney for GRVWD  
David Paige, General Manager, GRVWD  
Hon. Murry A. Raines, Attorney for Caveland

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

AUG 20 2009

THE APPLICATION OF GREEN RIVER )  
VALLEY WATER DISTRICT FOR )  
FINANCING AND A CERTIFICATE OF )  
CONVENIENCE AND NECESSITY TO )  
CONSTRUCT A WATERWORKS PROJECT )

PUBLIC SERVICE  
COMMISSION

CASE No. 2009-00162

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**AMENDED APPLICATION**

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Comes the Green River Valley Water District (“Green River District”), by counsel, and amends its Application for a Certificate of Public Convenience and Necessity as follows:

**OVERVIEW**

1. The purpose of this Amended Application is: (a) to provide information which will assist the staff of the Public Service Commission (“Commission”) in its investigation and evaluation of the waterworks improvement projects proposed by Green River District; (b) to amend the original Application so the Commissioner Staff can focus its attention on only those waterworks improvements for which construction bids have been received; (c) to expedite the Commission’s issuance of a Certificate of Public Convenience and Necessity before the construction contracts **expire on August 26, 2009**; and (d) to delete the financing plan proposed by the Green River District in its original Application.

## **THE PROJECT**

2. At this time, Green River District seeks a Certificate of Public Convenience and Necessity to enable it to construct: (a) a 1.0 million gallon ground level water storage tank located near Horse Cave, Hart County, Kentucky adjacent to Kentucky Highway 1846; and (b) a water transmission main, from near Hardyville, Hart County, Kentucky to the proposed water storage tank, consisting of approximately 75,640 feet of 16-inch diameter, 1,650 feet of 12-inch diameter, and 800 feet of 8-inch diameter PVC pipe and related appurtenances (the "Project"). Together, the water storage tank and the water transmission main comprise the "Project". As shown in paragraph 9, the revised Project cost is **\$4,067,193**.

3. Green River District will seek a Certificate of Public Convenience and Necessity to replace two (2) existing steel clearwells, to construct approximately 74,800 feet of 3-inch diameter water distribution mains, two (2) small booster stations, and to construct the other facilities described in its original Application after construction bids have been received and other necessary requirements have been met.

4. Green River District has solicited competitive bids according to law through public advertising for the construction and installation of the Project. It received and opened the construction bids on May 28, 2009.

5. Certified bid tabulations for both of the construction contracts which comprise the Project were prepared by Green River District's consulting engineers, Water Management Services, LLC ("Water Management"). The certified bid tabulations were filed with the Commission on July 30, 2009.

6. Water Management has written letters to the Green River District recommending that the Green River District accept the lowest and best bid on each

of these construction contracts and award the contracts accordingly. The Green River District has tentatively awarded both construction contracts, subject to obtaining a Certificate of Public Convenience and Necessity from the Commission.

7. The construction bids **expire on August 26, 2009.**

8. The construction bids were significantly lower than Water Management's engineering estimates. Indeed, the low bid for construction of the water transmission main portion of the Project is more than **\$1,100,000 less** than the engineering estimate. Because of changing economic conditions and other factors, Water Management has advised Green River District that if the construction bids expire and the Project is rebid, the new construction bids will likely be significantly higher than the original bids.

9. A Revised Project Cost Summary, based on the low construction bids received, is set forth below:

**Water Storage Tank**

Construction	\$ 898,000	
Engineering Design	64,685	
Contract Monitoring Services	16,171	
Engineering Inspection	52,120	
Contingency	<u>22,450</u>	
Total Costs For Tank		\$ 1,053,426

**Water Transmission Mains**

Construction	\$ 2,534,305	
Engineering Design	141,039	
Contract Monitoring Services	47,013	
Engineering Inspection	188,052	
Land and Easements	40,000	
Contingencies	<u>63,358</u>	
Total Costs For Water Mains		\$ <u>3,013,767</u>

**TOTAL PROJECT COSTS** **\$ 4,067,193**

## **FINANCING**

10. Green River District withdraws its request for the Commission to issue an Order, pursuant to KRS 278.300, authorizing Green River District to obtain a long term loan from the Kentucky Rural Water Finance Corporation (“KRWFC”) to fund the proposed construction Project.

11. Green River District is unable to obtain a long term loan or issue securities at this time because its debt service coverage ratio has dropped below 1.20. Green River District’s bond covenants prohibit it from issuing new, long term debt obligations unless its debt service coverage ratio is at least 1.20.

12. A few months ago, Green River District engaged the services of a rate consultant, Carryn Lee, to perform a detailed Cost of Service Study and to determine the rates necessary for Green River District to meet its debt service coverage requirements. This rate study is well underway. Green River District will file an application for a general rate adjustment as soon as practical after the rate study has been completed.

13. In the meantime, Green River District has obtained a commitment from KRWFC to provide interim financing for construction of the proposed Project. The term of the interim financing will likely be 12 months, but could be as long as 18 months.

14. At the appropriate time Green River District will file an application to issue securities, pursuant to KRS 278.300, for the purpose of refinancing the short term debt (interim financing) incurred to fund construction of the proposed Project and converting it to long term debt.

## **NEED AND SUPPORT FOR PROJECT**

15. As stated in Green River District's original Application, the Project is needed to enable Green River District to provide adequate water service to its customers, including its two (2) largest wholesale customers: Horse Cave Water Commission ("Horse Cave") and Caveland Sanitation Authority ("Caveland").

16. Recently, both Horse Cave and Caveland filed separate Notices of Project Support and urged the Commission to expedite approval of the Project and issuance of the Certificate of Public Convenience and Necessity so the construction contracts can be awarded before expiration of the favorable construction bids.

17. In addition, Caveland withdrew its request for a Public Hearing.

18. It is the opinion of the Commissioners of Green River District that the public health, safety and general welfare of its customers and other persons residing within the areas served by Green River District will be promoted and served by the construction of the Project. Consequently, the proposed construction is necessary, is in the public interest, and is required to meet the demand for water service in Green River District's service area.

19. Any and all provisions of Green River District's original Application which are inconsistent with this Amended Application are hereby amended, modified or deleted, as appropriate.

**[The rest of this page intentionally left blank.]**

WHEREFORE, the Green River District respectfully requests that the Commission take the following actions:

- A. Issue a Certificate of Public Convenience and Necessity authorizing the Green River District to construct the Project as proposed and described in this Amended Application;
- B. Delete the financing plan proposed by the Green River District in its original Application; and
- C. Grant the Green River District any and all other proper relief.

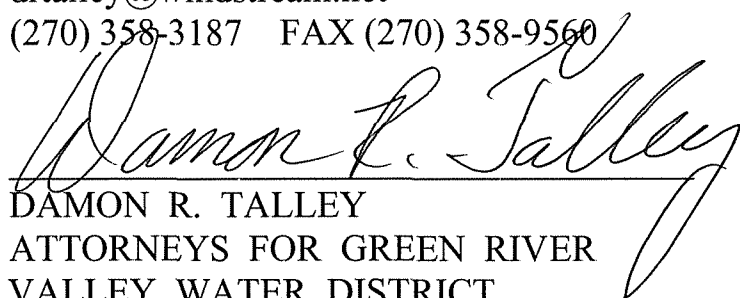
This 19<sup>th</sup> day of August, 2009.

Respectfully submitted,

PATRICK A. ROSS  
HENSLEY & ROSS  
P. O. BOX 350  
HORSE CAVE, KY 42749  
(270) 786-2155

and

DAMON R. TALLEY, P.S.C.  
P. O. BOX 150  
HODGENVILLE, KY 42748-0150  
drtalley@windstream.net  
(270) 358-3187 FAX (270) 358-9560

  
DAMON R. TALLEY  
ATTORNEYS FOR GREEN RIVER  
VALLEY WATER DISTRICT