

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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APR 28 2016

Public Service
Commission

IN THE MATTER OF:

THE APPLICATION OF REID VILLAGE)
WATER DISTRICT TO ISSUE EVIDENCE)
OF INDEBTEDNESS TO OBTAIN A LOAN)
FROM THE KENTUCKY INFRASTRUCTURE)
AUTHORITY IN THE APPROXIMATE)
PRINCIPAL AMOUNT OF \$401,625.00)
FOR THE PURPOSE OF PURCHASING)
IMPROVED REAL PROPERTY)

CASE NO.
2016-00086

* * * * *

RESPONSE OF REID VILLAGE WATER DISTRICT
TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

Comes Reid Village Water District ("Reid Village") and, for its Response to the Commission Staff's First Request for Information to Reid Village Water District, states as follows:

Request No 1: Provide the current address for the office space and maintenance building that are to be acquired ("property").

Response: 950 Winchester Road, Mt. Sterling, Kentucky 40353.

Request No. 2: State the name of the individual or entity that currently owns the property.

Response: Bobby E. Ballard and Connie Ballard, husband and wife.

Request No. 3: State whether the individual that is to convey the property is a related party with respect to any employee of Reid Village or its commissioners, and how they are related.

Response: Neither of the sellers/grantors is a related party with respect to any

employee of Reid Village or its Commissioners.

Request No. 4: State whether the property is currently occupied, and if this is confirmed, provide a description of the type of business or activity for which the current occupants use the property

Response: The property to be acquired is currently occupied as a used car dealership operated by the property owners' entity, Bobby E. Ballard, Inc. d/b/a Bob's Auto Sales.

Request No. 5(a): State the date that the property was originally placed on the market.

Response: The property to be acquired was never "placed on the market". The property to be acquired is across the street from Reid Village's existing office premises (currently rented by them on a year to year lease) and was privately offered for sale to Reid Village by the owners.

On August 8, 2015 commercial property adjacent to Reid Villages's existing leased office premises, needing considerable repairs and/or renovations, sold at public auction for \$341,000.00. Thereafter, the owners of the property to be acquired contacted representatives of Reid Village and offered to would sell the property to be acquired to the District for \$350,000.00.

The Commissioners of the District decided that, considering what the auctioned property across the street from the property to be acquired and needing considerable repairs and/or renovations had sold for, the offered purchase of the property to be acquired for \$350,000.00 was fair and reasonable and the purchase and sale agreement was entered into.

Request No. 5(b): State the original asking price of the property.

Response: \$350,000.00 - see response to paragraph 5(a) above.

Request No. 5(c): Provide detailed information about the address, location with

respect to Reid Village's current facilities, square footage, and type of property of any alternative locations that Reid Village considered before selecting the property.

Response: None was considered - see response to paragraph 5(a) above. There are few suitable commercial properties in the area of the property to be acquired and hardly any office/garage combinations.

Request No. 5(d): State approximately how long Reid Village engaged in a search for a new location and provide any internal or external correspondence that details how the property was selected.

Response: See response to paragraph 5(a) above. No internal or external correspondence that details how the property to be acquired was selected.

Request No. 6: Provide the current property tax assessed value for the property.

Response: \$155,000.00. See attached Property Valuation Administrator's information, marked "Attachment to Request No. 6", attached hereto and made a part hereof by reference.

Request No. 7: Provide a copy of the appraisal that was obtained for the property. If no appraisal was obtained, explain why not.

Response: No appraisal was done. An appraisal was determined by the Commissioner's of the District to not be needed in light of adjacent commercial property, needing numerous repairs and/or renovations, having sold at public auction on August 8, 2015 for \$341,000.00.

Request No. 8: Provide a side-by-side comparison of Reid Village's current expenses related to the office building and field crew location to the projected expenses of the

proposed property for 12 calendar months including the proposed debt payment.

Response: See "Attachment to Request No. 8" attached hereto and made a part hereof by reference.

Request No. 9: Refer to the Application, Exhibit E (erroneously referred to in the Commission Staff's Request No. 9 as Exhibit "G"). The Exhibit projects that Reid Village's annual revenues in the years 2015 through 2019 will be \$582,753. Provide a detailed calculation of this amount and show all assumptions that were made to arrive at this amount.

Response: The projected annual revenue for 2015-2019 is based on Reid Village's current water rates, which reflect a 10.7% increase effective August 1, 2014, a 22% increase effective March 30, 2015 and a 0.9% increase effective August 1, 2015 applied to a substantially constant annual water usage pattern.

Request No. 10: Reid Village's 2014 Annual Report states that Reid Village had revenues of \$449,201. The projected annual revenues for 2015 through 2019 represents an approximately 30% increase from 2014 actual revenues. Provide a detailed explanation of the projected increase in revenues.

Response: The projected revenue is the cumulative effect of a 10.7% water rate increase on August 1, 2014, a 22.5% water rate increase on March 30 2015 and a 0.9 % water rate increase on August 1, 2015.

Request No. 11: State whether Reid Village anticipates filing an application for adjustment of rates if it issues the proposed evidence of indebtedness in the amount of \$401,625.00.

Response: No adjustment of rates is anticipated if Reid Village issues proposed evidence of indebtedness.

Request No. 12: If Reid Village anticipates filing an application for adjustment of rates in the event it issues the proposed evidence of indebtedness, provide any calculations of the amount of rate adjustment Reid Village anticipates it will seek.

Response: d/n/a - see response to Request No. 11 above.

Request No. 13: Refer to the Application , Exhibit E- (erroneously referred to in the Commission Staff's Request No 13 as Exhibit "G"). In the calculation of the Debt Coverage Ratio, it appears that depreciation has been excluded from the calculation . Explain why this is an appropriate method to calculate Reid Village's Debt Coverage Ratio.

Response: Annual Depreciation in the amount of \$8,334.00 was included in Operating Expenses for years 2016-2019 on the Financial Summary (December year - actual for 2012-2015 and projected for 2016-2019) which is the last page of Attachment "A" to Exhibit "E" attached to Reid Village's Application.

Request No. 14: Refer to the Application , Exhibit E, Attachment A, page 4 . It is stated that projections were based on an assumption that purchased water and operating expenses will increase 2 percent per year for inflation.

(a) Provide any studies or analyses that were conducted or referenced in order to make this determination .

Response to (a): Using a 2% per year increase for annual water purchase expense and operating expenses is the standard currently used by Kentucky Infrastructure Authority in

analyzing proposed loans to water districts and is believed by Reid Village to be an appropriate projected rate of increases for such expenditures.

(b) Provide any historical data that supports this assumption.

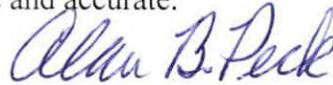
Response to (b): The assumption was provided by KIA. They advise the assumption is based on historical economic trends and Consumer Price Index changes.

Request No. 15:

Refer to the Application , Exhibit G. The Financial Summary on this page presents the audited information for the years 2012 , 2013 , and 2014. Provide the audited financial information for the calendar year 2015 . If audited financial statements are not available , provide the financial data in its unaudited form.

Response: Audited financial information for 2015 is not available as of this date. The District's unaudited Financial Disclosure for 2015 is attached hereto, marked "Attachment to Request No. 15", and made a part hereof by reference.

Alan B. Peck states that he is the legal counsel for Reid Village Water District ("Reid Village") and hereby certifies that (1) he personally prepared the foregoing Responses on behalf of Reid Village and (2) to his personal knowledge, information and belief formed after a reasonable inquiry, each of said Responses is true and accurate.



Alan B. Peck

Respectfully submitted,



Alan B. Peck
White Peck Carrington, LLP
P.O. Box 950
Mt. Sterling, Kentucky 40353-0950
Telephone (859) 498-2872
Facsimile (859) 498-7363
ATTORNEY FOR REID VILLAGE
WATER DISTRICT

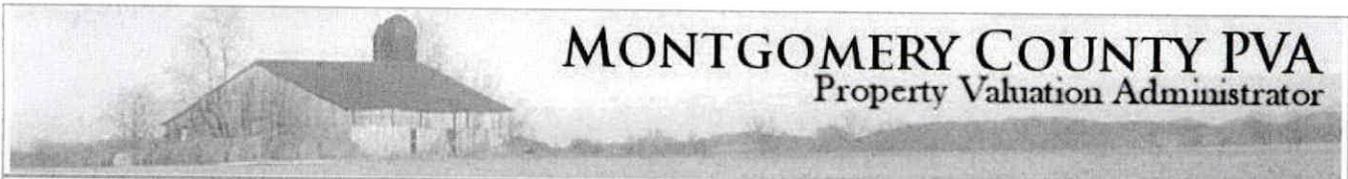
CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of this Response of Reid Village Water District was mailed by U.S. Mail, postage prepaid, on the 27th day of April, 2016 to the following persons:

Interim Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602



ALAN B. PECK, ATTORNEY FOR
REID VILLAGE WATER DISTRICT



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Owner and Parcel Information			
Owner Name	BALLARD BOBBY E & CONNIE	Today's Date	April 5, 2016
Mailing Address	2201 CAMARGO RD MT STERLING, KY 40353	Parcel Number/Account Number	23M-30-02-001.00 /785
Description	CANAN SUBD/ WINCHESTER RD/BLDG/LOTS	Tax District	00 00
Land Characteristics:		2015 Rate Per Thousand	10.270
Location Address	WINCHESTER RD 950	Parcel Map	Show Parcel Map
Condition	Good	Topography	Rolling
Plat Book/Page		Drainage	
Subdivision	CANAN SUBDIVISION	Flood Hazard	None
Lot		Zoning	
Block		Electric	No
Acres	0.59	Water	No
Front	170	Gas	No
Depth	150	Sewer	No
Lot Size	170x150	Road	2 Lane
Lot Sq Ft	25500	Side Walks	No
Shape		Information Source	

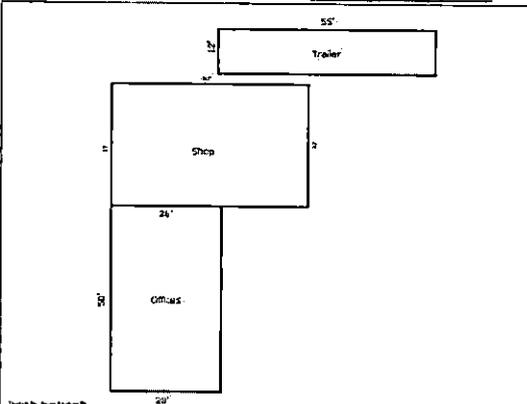
Working Tax Roll Information												
Year	Class	Net Taxable Value	Total Taxable Value	Land Value	Improvement Value	Ag Improvement Value	Land FCV	Improvement FCV	Ag Improvement FCV	Total FCV	Farm Acres	Fire Protection Acres
2016	Commercial	\$155,000	\$155,000	\$45,000	\$110,000	\$0	\$0	\$0	\$0	\$0	0	0
Exemption: N Oil : 0 Min/Timber : 0 Unmined Coal : 0 Watershed : 0 Tobacco : 0												

Certified Value Information												
Year	Class	Net Taxable Value	Total Taxable Value	Land Value	Improvement Value	Ag Improvement Value	Land FCV	Improvement FCV	Ag Improvement FCV	Total FCV	Farm Acres	Fire Protection Acres
2015	Commercial	\$155,000	\$155,000	\$45,000	\$110,000	\$0	\$0	\$0	\$0	\$0	0	0
Exemption: N=\$0 Taxes: \$0.00												

Improvement Information							
Building Number	Description	Residence Type	Comm Type	Mobile Home Type	Year Built/Manufactured	Effective Age	Average Wall Height
1	OFFICE/SHOP		Services		0	0	0
Structure	Number of Stories	Exterior	Foundation	Construction Type	Construction Quality	Building Condition	Roof Type
	1.0	Concrete Block	Concrete Block	Masonry Ext	1	Average	
Roof Cover	Roof Pitch	Basement Type	Basement Finish	Basement Size	Basement Sq Ft	Garage/Carport	Garage Size
Comp.Shingles	Medium	None	None		0		
Garage Type	Garage Exterior	Width	Length	Garage Sq Ft	Pool	Pool Size	Tennis Courts
		0	0	0		0	
Kitchens	Dining Rooms	Living Rooms	Family Rooms	Bedrooms	Full Baths	Half Baths	Other Rooms
0	0	0	0	0	0	0	0
Total Rooms	Living/Office/Manuf Sqft	Fireplaces/Water	Supplemental Heat	Mobile Home Model	Mobile Home Type	Mobile Home Manufacturer	MH Skirt Foundation
0	0/1,400/0	0 / 0					
Heat	Heat Source	Heat Type	Air Conditioning	AC/Type	Special Improvements	Fire Alarm	Sprinklers
Yes			No		No	No	No
Porch/Deck	Porch Sq Ft	Deck Sq Ft	Concrete Type		Value	Driveway	Fence

				Farm Bldg Type			
	0	0	0		\$75,000.00	Paved/Asphalt	0

Building Notes: ImageID=23m-30-02-001.00.jpg^SketchID=23m-30-02-001.00

Building Photo Preview Enlarge/Show All 	Building Sketch Preview Enlarge/Show All 
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Building 2

Building Number	Description	Residence Type	Comm Type	Mobile Home Type	Year Built/Manufactured	Effective Age	Average Wall Height
2	DETACHED GARAGE		Services		1994	0	0
Structure	Number of Stories	Exterior	Foundation	Construction Type	Construction Quality	Building Condition	Roof Type
	0.0	Solid Masonry	1	1	1	Good/Average	
Roof Cover	Roof Pitch	Basement Type	Basement Finish	Basement Size	Basement Sq Ft	Garage/Carport	Garage Size
Metal	Low	1			0		
Garage Type	Garage Exterior	Width	Length	Garage Sq Ft	Pool	Pool Size	Tennis Courts
		0	0	0		0	

Kitchens	Dining Rooms	Living Rooms	Family Rooms	Bedrooms	Full Baths	Half Baths	Other Rooms
0	0	0	0	0	0	0	0
Total Rooms	Living/Office/Manuf Sqft	Fireplaces/Water	Supplemental Heat	Mobile Home Model	Mobile Home Type	Mobile Home Manufacturer	MH Skirt Foundation
0	0/0/1,920	0 / 0					

Heat	Heat Source	Heat Type	Air Conditioning	AC/Type	Special Improvements	Fire Alarm	Sprinklers
Yes			No		No	No	No
Porch/Deck	Porch Sq Ft	Deck Sq Ft	Concrete Type	Farm Bldg Type	Value	Driveway	Fence
	0	0	0		\$35,000.00	Paved/Asphalt	0

Building Notes: ImageID=^SketchID=

Building Photo Preview Enlarge/Show All 	Building Sketch Preview Building Sketch Not Available
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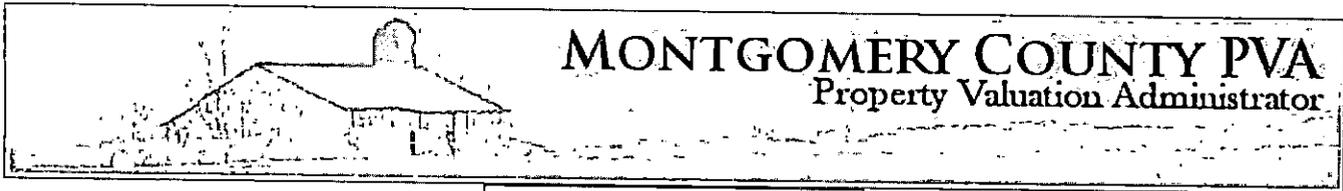
Sale Information

Sale Date	Sale Price	Sale Type	Deed Book	Deed Page	Grantee	Grantor
1993-10-01	\$ 75,000	Valid Sale	208458	208458	BALLARD BOBBY E & CONNIE	MURPHY PAUL S & EVELYN M

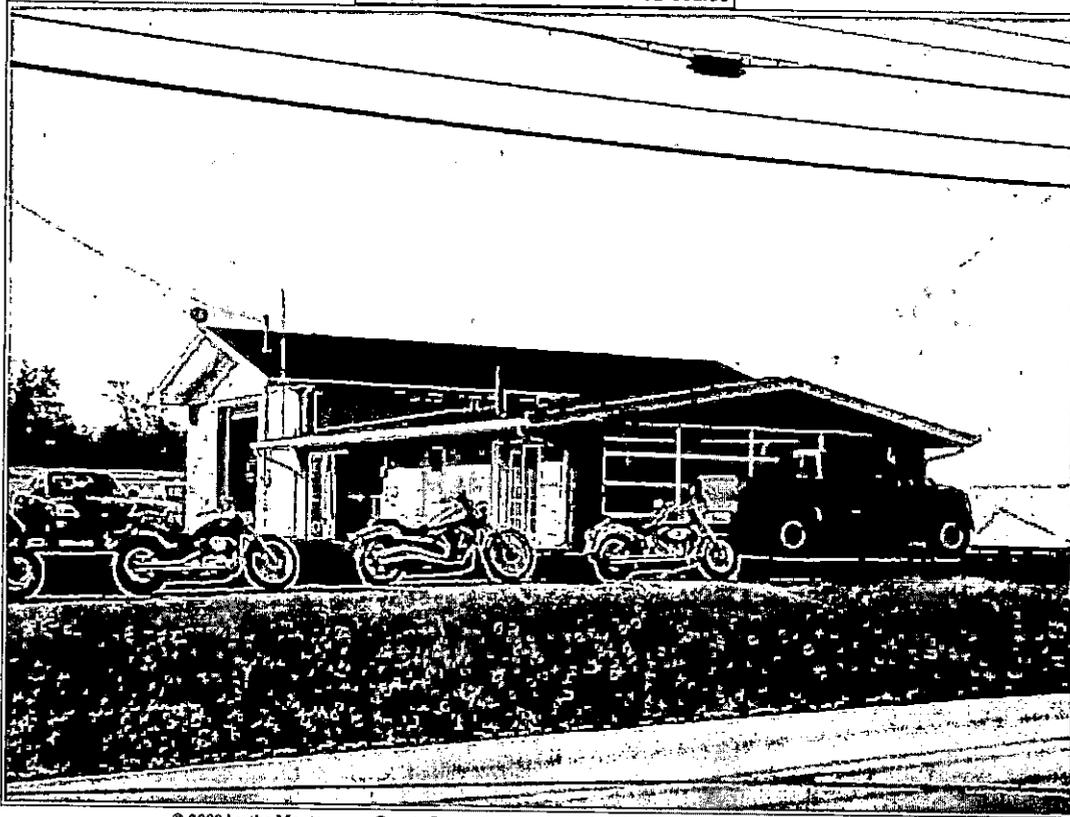
Recent Sales in Area	Previous Parcel	Next Parcel	Field Definitions	Return to Main Search Page	Subscription Home	Montgomery Home
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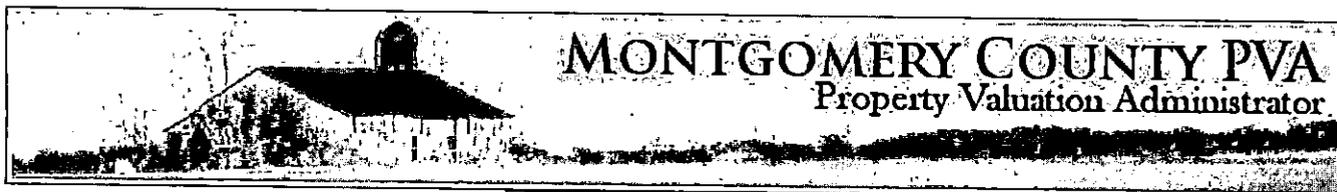
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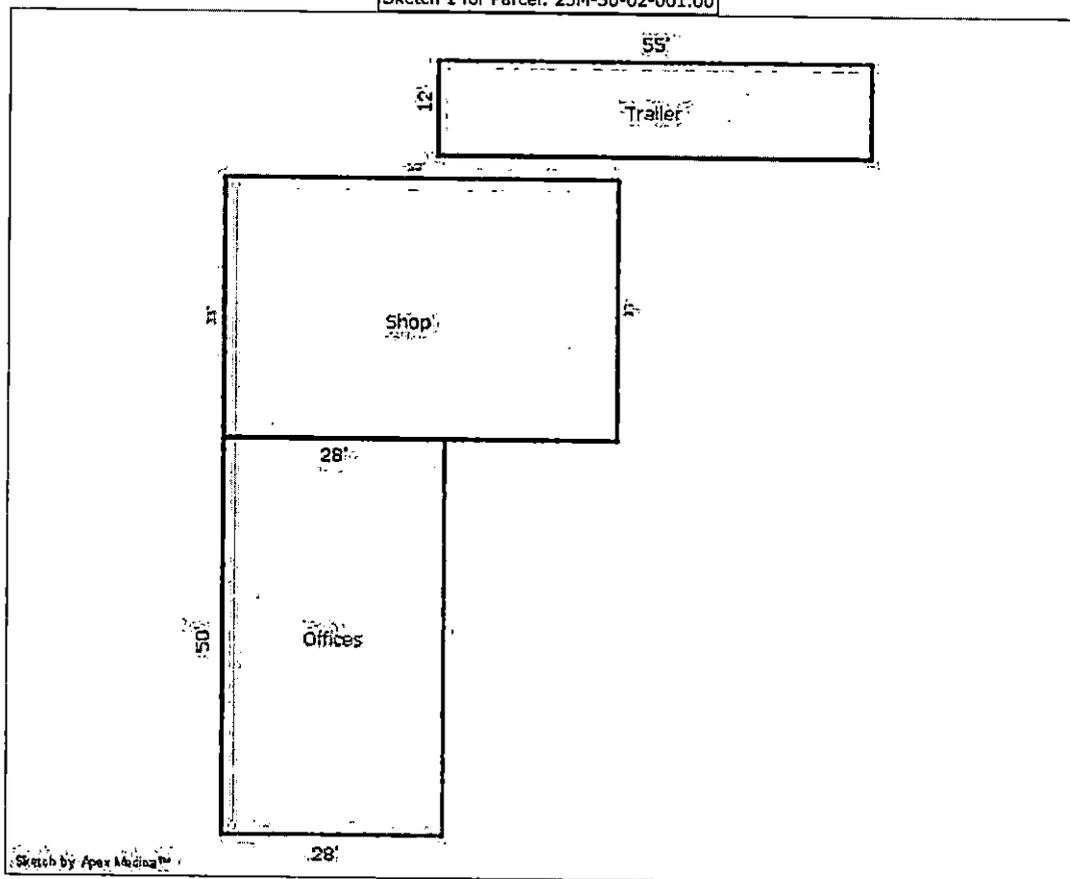
Photograph 1 for Parcel: 23M-30-02-001.00



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Sketch 1 for Parcel: 23M-30-02-001.00



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REID VILLAGE WATER DISTRICT
P.O. Box 610
MT. STERLING, KY 40353
PHONE (859) 498-0062
FAX (859) 497-9984

Public Service Commission
 RE: Case No. 2016-00086

The following is a comparison of the expenses relating to the District's current office and the projected expenses for the proposed location.

CURRENT LEASED PROPERTY EXPENSES (Based on 2015 annual actuals)		PROPOSED PROPERTY ESTIMATED EXPENSES (Based on 2015 annual actuals and estimates)	
Rent	\$6,000.00	Debt Service	\$18,068.00
Kentucky Utilities	\$3,302.49	Kentucky Utilities	\$2,839.47
Columbia Gas	No service	Columbia Gas (Garage)	\$1,336.86
		Columbia Gas (Office)	\$1,346.60
Portable Restroom	\$1,062.00		No service
Propane Heat	\$ 200.00		No service
		Vehicle Maintenance	
TOTAL	\$10,564.49	TOTAL	\$26,590.93

**REID VILLAGE WATER DISTRICT
P.O. Box 610
MT. STERLING, KY 40353
PHONE (859) 498-0062
FAX (859) 497-9984**

**DEPRECIATION SCHEDULE
FOR
NEW OFFICE AND GARAGE**

Purchase Price	\$350,000.00
Allocation to land only	\$100,000.00
Allocation to Building	\$250,000.00
Annual depreciation expenses (30 year schedule)	\$8,334.00

Special Purpose Governmental Entity (SPGE) Financial Disclosure Report 2015

Click [DASHBOARD](#) to go back to your SPGE dashboard or use the navigation bar at left to visit other pages on this site..

SPGE Information		
NAME: Rachel Cartmill	PHONE: (859) 498-0062	DATE: 04/19/2016
ADDRESS: P.O. Box 610	EMAIL: rvwd@bellsouth.net	
CITY: Mt. Sterling	STATE: KY	ZIP: 40353
DO YOU HAVE A DULY ADOPTED BUDGET IN PLACE? Yes	IF NO, EXPLANATION:	

Budget Information			
	Due Jan 15	As of Dec 31	Due Mar 1
DESCRIPTION	CURRENT YEAR ESTIMATES	AMENDMENTS / TRANSFERS	YEAR END ACTUALS 2015
Utility Operating Income			
Operation Revenues	\$585,215.00	\$0.00	\$544,871.00
Operation and Maintenance Expenses	\$465,500.00	\$0.00	\$473,276.00
Depreciation Expense	\$45,000.00	\$0.00	\$47,217.00
Amortization Expense	\$0.00	\$0.00	\$0.00
Taxes Other Than Income	\$850.00	\$0.00	\$854.00
Net Utility Operating Expenses	\$511,350.00	\$0.00	\$521,347.00
UTILITY OPERATING INCOME (LOSS)	\$73,865.00	\$0.00	\$23,524.00
Other Income and Deductions			
Net Results / Merchandising, Jobbing & Contract Work	\$0.00	\$0.00	\$0.00
Interest and Dividend Income	\$520.00	\$0.00	\$917.00
Income from Utility Plant Leased to Others	\$0.00	\$0.00	\$0.00
Gains (Losses) form Disposition of Utility Property	\$0.00	\$0.00	\$0.00
Borrowed Money	\$0.00	\$0.00	\$0.00
Allowance for Funds Used During Construction	\$0.00	\$0.00	\$0.00
Nonutility Income	\$0.00	\$0.00	\$0.00
Other Income Subtotal	\$520.00	\$0.00	\$917.00
Miscellaneous Nonutility Expense	\$0.00	\$0.00	\$0.00
Taxes Other Than Income	\$12,500.00	\$0.00	\$14,093.00
Interest Expense	\$31,130.00	\$0.00	\$31,802.00
Capital Expenditures	\$20,000.00	\$0.00	\$0.00
Principal Loan Payments	\$13,900.00	\$0.00	\$13,700.00
Other Deductions Subtotal	\$77,530.00	\$0.00	\$59,595.00
TOTAL OTHER INCOME (DEDUCTIONS)	(\$77,010.00)	\$0.00	(\$58,678.00)

Net Assets

Income Before Contributions and Extraordinary Items	(\$3,145.00)	\$0.00	(\$35,154.00)
Carryover from Prior Fiscal Year	\$0.00	\$0.00	\$0.00
Proceeds from Capital Contributions	\$1,300.00	\$0.00	\$0.00
Add In Depreciation / Amortization	\$45,000.00	\$0.00	\$47,217.00
Net Extraordinary Items	\$0.00	\$0.00	\$0.00
CHANGE IN NET ASSETS (ENDING CASH BALANCE)	\$43,155.00	\$0.00	\$12,063.00