

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ROWAN)	CASE NO.
WATER, INC. FOR FINANCING APPROVAL)	2024-00015
PURSUANT TO KRS 278.300)	

ORDER

On January 26, 2024, Rowan Water, Inc. (Rowan Water) filed an application, pursuant to KRS 278.300, seeking Commission approval of the assumption of debt for the leasing of three service trucks in the amount of \$218,778 in 60 monthly payments between \$1,117.82 and \$1,306.08 per vehicle.¹

There are no intervenors in this case. Rowan Water responded to two rounds of information requests from Commission Staff. The matter is now submitted to the Commission for a decision based upon the evidentiary record.

LEGAL STANDARD

KRS 278.300 requires Commission approval before a utility may “issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person.” KRS 278.300(3) establishes the legal standard and clarifies the scope of Commission review, stating:

The Commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and the proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate

¹ Application, Exhibit D at 3.

for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

Additionally, KRS 278.300(8) establishes that KRS 278.300 does not apply if the proposed issuance of securities or indebtedness is payable at periods of not more than two years from the issuance date and any renewals of such notes do not exceed six years from the initial issuance date.

PROPOSED FINANCING

Pursuant to KRS 278.300 and 807 KAR 5:001, Rowan Water filed an application seeking Commission authority to lease three service trucks, specifically a 2024 Chevrolet Silverado 2500HD Crew Cab, a 2024 Chevrolet Silverado 3500HD Regular Cab, and a 2024 Chevrolet Silverado 2500HD Regular Cab from Enterprise in Morehead, Kentucky. Rowan Water stated that Enterprise is the only rental company that provides service in Rowan County.² Rowan Water further stated that the proposed service trucks would replace three leases for vehicles currently held by Rowan Water.³ Rowan Water states that the currently leased vehicles are contracted for 80,000⁴ miles, and the amount of mileage for the service trucks is near or exceeding the 80,000-mile limit.⁵

² Application, Exhibit D at 4.

³ Rowan Water's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Mar. 4, 2024), Item 1(b).

⁴ Rowan Water's Response to Staff's Second Request for Information, Item 1 (indicates the mileage limit is 80,000 miles, however the lease documents provided in Application indicates that 75,000 is the contracted number of miles).

⁵ Rowan Water's Response to Staff's Second Request, Item 1.

Rowan Water stated that prior to leasing its current fleet of vehicles, it purchased all of its vehicles outright, with no financing.⁶ Rowan Water reviewed its maintenance records for the vehicles that it previously purchased and owned, and determined that it was expending a considerable amount on maintenance of its vehicle fleet, and that the vehicles were becoming less reliable due to age and higher mileage.⁷ Rowan Water stated that as its vehicles became older and required more maintenance, it became more practical to lease its vehicles through Enterprise, which included full maintenance in the rental agreements.⁸ Rowan Water explained that the vehicles that are being replaced will be sold by Enterprise and any amount received above the amount owed by Rowan Water will be credited towards the new vehicle leases.⁹ Additionally, trading in the current leased vehicles, rather than waiting until the expiration of the 60 month lease, will result in a higher return on the vehicles.¹⁰ The current and proposed leasing terms of the three vehicles are shown in the following table:

⁶ Application, Exhibit D at 4.

⁷ Application, Exhibit D at 4.

⁸ Application, Exhibit D at 4.

⁹ Rowan Water's Response to Staff's Second Request, Item 3.

¹⁰ Rowan Water's Response to Staff's Second Request, Item 3.

Current Vehicle Leases

	2020 Silverado 2500HD	2021 Silverado 3500HD	2021 Silverado 2500HD
Cab Type	Regular Cab	Regular Cab	Regular Cab
Lease Term/Months	60	60	60
Full Maintenance for:	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
Capitalized Price on Vehicles:	\$42,489	\$48,881	\$37,785
Capitalized Price Reduction:	12,000	-	-
Gain Applied from Prior Unit	-	30,000	12,000
Total Capitalized Amount (Delivered Price):	30,749	17,141	26,045
Full Maintenance Program:	<u>72</u>	<u>109</u>	<u>72</u>
Total Monthly Rental w/ Services:	702	474	595
Multiplied by: Actual Lease Term	<u>38</u>	<u>32</u>	<u>34</u>
Total Actual Invoices Amount:	<u>\$26,686</u>	<u>\$15,161</u>	<u>\$20,226</u>

Proposed Vehicle Leases

	2024 Silverado 2500HD	2024 Silverado 3500HD	2024 Silverado 2500HD
Cab Type	Crew Cab	Regular Cab	Regular Cab
Lease Term/Months	60	60	60
Full Maintenance for:	<u>100,000</u>	<u>50,000</u>	<u>100,000</u>
Capitalized Price on Vehicles:	\$69,535	\$78,758	\$65,685
Capitalized Price Reduction:	-	-	-
Gain Applied from Prior Unit	17,000	35,000	17,000
Total Capitalized Amount (Delivered Price):	30,749	47,758	48,685
Full Maintenance Program:	<u>138</u>	<u>118</u>	<u>138</u>
Total Monthly Rental with Services:	\$1,306	\$1,118	\$1,222
Multiplied by: Proposed Lease term:	<u>60</u>	<u>60</u>	<u>60</u>
Total Proposed Lease Amount:	<u>\$78,365</u>	<u>\$67,071</u>	<u>\$73,342</u>

Rowan Water argued that continuing to lease its vehicle fleet is more economical and saves its customers money by drastically reducing maintenance expenses after comparing the maintenance costs and purchasing vehicle costs for Rowan Water from 2013 to 2019.¹¹ Rowan Water explained that the leases also allow the company to receive new vehicles on a more timely basis at a time when there is a delay in the availability of new trucks of the kind that are needed to perform the duties of Rowan Water.¹²

DISCUSSION AND FINDINGS

The Commission finds that the proposed financing for leases from Enterprise in Morehead, Kentucky, are for lawful objects within the corporate purpose of Rowan Water, as the financing will allow Rowan Water to provide adequate services while saving on equipment costs and maintenance and thereby strengthens its financial position to provide proper services to its customers. Second, the Commission finds that the financing is necessary, appropriate for, and consistent with the proper performance of Rowan Water's service to the public and will not impair Rowan Water's ability to perform that service, as no other aspects of operations or finances will change. Third, the Commission finds that the financing is an appropriate option for Rowan Water to meet its statutory duty to provide safe, adequate and reliable services and is reasonable, necessary, and appropriate for such purposes. The proposed financing provides additional savings on the amount Rowan Water spends on maintaining its own fleet of

¹¹ Rowan Water's Response to Commission Staff's First Request for Information (filed Feb. 22, 2024), Item 1 and Items 2a and 2b.

¹² Application, Exhibit D at 4.

vehicles considering the leases contain full coverage maintenance for 50,000 to 100,000 miles.¹³ The Commission finds that Rowan Water's application for approval of the assumption of debt for the leasing of three service trucks totaling \$218,778¹⁴ should be approved. The Commission notes that its findings herein are based upon statements made by Rowan Water in its application. Thus, the Commission notes that its approval is conditional on Rowan Water acting in a manner consistent with representations made in this matter and the terms and conditions of leases being consistent with the terms as described in Rowan Water's application.

To ensure that the lease agreements are consistent with the application herein, the Commission finds that Rowan Water should file each agreement with the Commission within ten days of its execution.

IT IS THEREFORE ORDERED that:

1. Rowan Water is authorized to lease three vehicles identified in its application from Enterprise in Morehead, Kentucky. The lease maturity date and other terms and conditions of the leases shall be in accordance with those described in Rowan Water's application.

2. Rowan Water is authorized to execute the lease documents for which approval was sought herein.

3. Within ten days of the execution of a new lease authorized herein, Rowan Water shall file with the Commission copies of the lease documents described above.

¹³ Application, Exhibit D at 3.

¹⁴ \$78,365 for 2024 Silverado 2500HD + \$67,071 for 2024 Silverado 3500HD + \$73,342 for 2024 Silverado 2500HD = \$218,778.

4. Any documents filed in the future pursuant to ordering paragraph 3 shall reference this case number and shall be retained in the post-case correspondence file.

5. Nothing contained herein shall be deemed a warranty or finding of value for the debt authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

6. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
MAR 22 2024
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KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

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