

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE BULLOCK PEN WATER)	
DISTRICT FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO)	CASE NO.
CONSTRUCT AND FINANCE AN IMPROVEMENTS)	2004-00339
PROJECT AND TO IMPLEMENT A SURCHARGE)	
TO ITS EXISTING RATES PURSUANT TO KRS)	
278.020 AND 278.300)	

COMMISSION STAFF'S FIRST DATA REQUEST
TO BULLOCK PEN WATER DISTRICT

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Bullock Pen Water District ("Bullock") file the original and 4 copies of the following information with the Commission no later than October 6, 2004, with a copy to all parties of record. Each copy of the information requested shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1 (a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention shall be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. At page 3 and at Exhibit B of its application, Bullock states that the proposed loan from Kentucky Rural Water Finance Corporation ("KRWFC") is \$103,000. In Exhibit A of its application, Bullock states that the loan amount is \$93,258. Reconcile and explain this difference.

2. In Case No. 2002-00015,¹ Bullock proposed a monthly surcharge of \$15 to finance its Water Main Extension Phase V Project. In calculating the amount of the surcharge, Bullock offset annual debt service requirement of the proposed loan with operating income derived from the additional customers who received service as a result of the Phase V Project. See Exhibit A to this Request.

a. Explain why Bullock did not use the same methodology to develop its proposed surcharge for the Phase VII Project (McCoy Folk Water Line).

b. State the amount of the proposed surcharge if the methodology that Bullock used for the Phase V Project was used. Show all calculations and state all assumptions used to derive this amount.

3. Provide an annual historical operating statement and debt payment schedule for Bullock adjusted for the following:

a. Annualized revenues expected to be derived from the rates established in Case No. 2003-00164.²

b. All other changes in operating revenues, expenses, and debt payments related to the construction authorized in Case No. 2003-00164.

¹ Case No. 2002-00015, Application of the Bullock Pen Water District for a Certificate of Public Convenience and Necessity to Construct and Finance an Improvements Project and to Implement a Surcharge to its Existing Rates Pursuant to KRS 278.020 and 278.300.

² Case No. 2003-00164, Application of Bullock Pen Water District Requesting: (1) A Certificate of Public Convenience and Necessity Authorizing Construction of Major Additions and Improvements to its Water System; (2) Seeking Approval of Revised Water Service Rates and Charges; (3) Seeking Approval of Financing Pursuant to KRS 278.020 and KRS 278.300.

c. Debt payments on the KRWFC refunding loan of \$573,000 that the Commission authorized in Case No. 2002-00263.³

d. The debt payments and other operating expenses resulting from the construction authorized in Case No. 2001-00344.⁴

e. The revenues, expenses, and debt payments resulting from the construction that Bullock proposes in its application.

f. All other adjustments to the historical information that is known at the time of response to this request.

The historic information shall be detailed by the same account titles as shown on Bullock's 2003 Annual Report at pages 27 and 28. All adjustments made to those accounts shall be shown separately with clear and distinct labels with descriptions stating the nature of the adjustment and detailed calculations. All debt payments shall be shown separately and clearly labeled with its issuance date and lending agency's name. All interest payments shall be shown separately from principal retirements.

4. a. State whether Bullock prepared or commissioned any analyses or studies to determine if its current rates for general water service are inadequate to absorb the debt service payments for the proposed loan.

b. If Bullock did not prepare or commission such analysis or study,

³ Case No. 2002-00263, Application of Bullock Pen Water District to Issue Securities in the Approximate Principal Amount of \$573,000 for the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001.

⁴ Case No. 2001-00344, Application of the Bullock Pen Water District to Assume a Note Payable in the Principal Amount of \$355,660 Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001.

(1) Explain why not.

(2) Prepare and submit such an analysis or study, state all assumptions and show all calculation used in that study.

5. Provide all studies and analyses that Bullock prepared or commissioned prior to March 18, 2002, to determine that its general service rates were not sufficient to absorb the debt incurred to finance its Water Main Extension Phase V Project.

6. Explain why Bullock proposes to finance its Phase VII Project (McCoy Folk Water Line) with a loan whose term is 12 years instead of a longer-term loan.

7. Describe the other loan options to finance the Phase VII Project (McCoy Folk Water Line) that Bullock considered before selecting a 12-year loan from KRWFC.

8. Provide all correspondence, memoranda, electronic mail and other documents in which Bullock discussed the financing of the proposed Phase VII Project (McCoy Folk Water Line).

9. Provide the minutes of all meetings of Bullock's Board of Commissioners in which the proposed Phase VII Project (McCoy Folk Water Line) and its financing were discussed.

10. Describe the efforts that Bullock undertook to obtain financing for the Phase VII Project (McCoy Folk Water Line) that involved loans with a term of 15 years or longer. This description should include the interest rate provisions of such loans.

11. Explain why the proposed Phase VII Project (McCoy Folk Water Line) should be financed through a surcharge rather than through revenues from general service rates.

12. Provide all studies and analyses of the expected population growth and construction of residential structures if the proposed the Phase VII Project (McCoy Folk Water Line) is constructed.

13. State whether Bullock has any objection if the amount of the proposed surcharge were recalculated annually to reflect any changes in the number of customers served through the Phase VII Project (McCoy Folk Water Line).

14. State whether, if the Commission denies the proposed surcharge, Bullock will continue with the Phase VII Project (McCoy Folk Water Line).



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
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DATED: September 24, 2004

cc: Parties of Record

EXHIBIT A

7. **Surcharge Calculations**
Bullock Pen Water Main Extension, Phase V
145 New Customers
Average Customers = 1999 - 4900

Total Operating Expenses 1999 = \$1,038,517
Operating Expense Per Customer = \$211.94

Total Revenue 1999 = \$1,644,627
Revenue Per Customer = \$335.64

Total Project Cost =

25 Yr. Loan - Interest is 5.15% to 2.2% (KRWA loan fund)

Revenue available from new customer to pay on loan

\$335.64 (Revenue) - \$211.94 (Operating Expense) - \$7.76 (Depreciation) = \$115.94 per customer

Yearly payment available \$115.94 x 145 customers = \$16,811.00

25 yr. loan that project will support = \$228,325

Surcharge Calculation

Loan to be covered by surcharge = \$362,400.00
Additional yearly payment = \$26,991.00
Additional yearly payment = \$186.14
Additional monthly payment (surcharge) = \$15.51

(Use \$15.00 surcharge per month as stated as maximum at public hearing. Additional payment will be made up by additional customers who have not signed up for water service on the proposed water lines).

Funding for Project

Grant County - 2001/2002 =	\$300,000.00
Grant County - 2002/2003 =	\$100,000.00
Grant County - 2003/2004 =	\$100,000.00
Customer Tap-on Fee =	\$68,875.00
Loan (BPWD) =	\$228,325.00
Loan (Surcharge) =	\$362,400.00