

COMMONWEALTH OF KENTUCKY
Before the Public Service Commission

IN THE MATTER OF THE APPLICATION OF)
OHIO COUNTY WATER DISTRICT FOR:)
)
)
(1) ISSUANCE OF A CERTIFICATE OF)
PUBLIC CONVENIENCE AND)
NECESSITY FOR CONSTRUCTION OF)
THE SERIES III WATER SYSTEM)
IMPROVEMENTS;)
)
(2) AUTHORIZATION TO ISSUE SERIES III)
REVENUE BONDS IN THE AMOUNT)
\$1,890,000;)
AND)
)
(3) AUTHORIZATION TO ADJUST RATES)
TO PAY FOR THE ADDITIONAL)
INDEBTEDNESS.)

No. 2003-00034

APPLICATION

This Application of OHIO COUNTY WATER DISTRICT (the "Applicant") of Ohio County, Kentucky, respectfully states:

GENERAL

- a) The full name and post office address of the applicant is:

Ohio County Water District
130 East Washington Street
Hartford, KY 42347

807 KAR 5:001, Section 8 (1).

b) Applicant is a water district of Ohio County, Kentucky, created and existing under and by virtue of Chapter 74 of the Kentucky Revised Statutes, pursuant to Order No. 138 by the County Court of Ohio County, Kentucky, duly entered on April 2, 1962, and previously filed in Case No. 7667.

c) Additional territories were annexed to the Applicant as follows:

Additional territory in Ohio County was annexed by Orders of the Ohio County Court dated April 27, 1964, and November 21, 1978, as referenced previously in Case No. 7667.

Additional territory in Daviess County was annexed by Orders of the Daviess County Court dated September 27, 1965, and July 31, 1976, as referenced previously in Case No. 7667.

Additional territory in Grayson County was annexed by Order of the Grayson County Court dated January 29, 1985, as filed previously in Case No. 9559.

Additional territory in McLean County was annexed by Order of the McLean County Court dated January 14, 1985, as filed previously in Case No. 9559.

Additional territory in Butler County was annexed by Order of the Butler County Court dated January 29, 1985, as filed previously in Case No. 9559.

Reference is hereby made to the records in previous Case No. 7667 and Case No. 9559, which is requested to be incorporated herein as a part of this Application.

d) By Order dated October 10, 1996 the Public Service Commission gave approval for Butler County Water System, Inc. to acquire a portion of Ohio County Water District's existing service territory and to provide service to 11 customers of Ohio County Water District. Reference is hereby made to the records in previous Case No. 96-389, which are requested to be incorporated herein as a part of this Application.

- e) By Order dated December 3, 1996, Public Service Commission granted approval for Ohio County Water District to assume ownership, operation and maintenance of the Rough River Water System, Inc. Reference is hereby made to the records in previous Case No. 95-459, which are requested to be incorporated herein as a part of this Application.
- f) The Applicant is not authorized to issue common stock and has no stock of any kind. No other forms of stock are authorized and no transactions regarding assets or dividends have occurred. 807 KAR 5:001, Section 6 (1), (2), (3) and (8).
- g) The governing body of Ohio County Water District consists of seven Commissioners. Five of the Commissioners are duly appointed by the County Judge Executive of Ohio County, with approval of the Fiscal Court. The remaining two are appointed by the County Judge Executive of Daviess County with the approval of that Fiscal Court. The present Commissioners are:
- Henry Morgan, Chairman
B. J. Dickens, Secretary
Ernie Wallace, Treasurer
Bernard Ballard
Wayman Cambron
Glendon Gillim
Angie Henry
- h) The Applicant seeks (1) a Certificate of Public Convenience and Necessity permitting it to construct Series III Water System Improvements, (2) approval of the proposed Plan of Financing of the project and (3) approval of increased water rates proposed to be charged to enable financing of the project and to compensate the applicant for increased operating costs.
- i) The Series III Water System improvements will include approximately 34 miles of water mains in Ohio and Daviess County. Approximately 65 new customers will be added and the water service will be improved to approximately 248 customers. The customers in the new area to be served are presently served only by private

wells, cisterns and water brought in by tanks. There is no public water supply available for domestic consumption in the new areas, and water service is completely inadequate. The improvements enable the applicant to maintain adequate pressures and reinforce the basic system. The proposed improvements are in the best interest of the applicant, its present customers and future customers.

- j) The Applicant has made improvements in the past, incurred additional debt and had rate changes all of which were subject to orders of the Public Service Commission. The cases are requested to be incorporated herein as a part of this application by reference as follows:

Case No.	5435
Case No.	6139
Case No.	7667
Case No.	9559
Case No.	93-216
Case No.	95-459
Case No.	98-015
Case No.	2000-170
Case No.	2000-535

Amortization schedules for each bond and loan are included in Exhibit 14. 807 KAR 5:001, Section 6 (5), (6) and (7) and 807 KAR 5:071, Section 3, (3) (a).

- k) A list of all commercially available for in-house developed computer software, programs, and models used in the development of the schedules and work papers associated with the filing of this application is as follows: (1) MS Word; (2) MS Excel; (3) KY Pipe 2002; (4) Alliance Utility Management Systems II Version 5.0; (5) Adobe; and (6) Omni Page. 807 KAR 5:001, Section 10 (6) (O).
- l) Applicant's request for approval to use electronic filing is shown in Exhibit 22. In addition to the electronic files, one hard copy of all filings will be submitted to PSC. 807 KAR 5:001, Section 8 (2).

- m) The Parties of Record are shown in Exhibit 19.
- n) Acknowledgment of PSC receipt of the Applicant's Notice of Intent to File is presented in Exhibit 21. 807 KAR 5:001, Section 10 (2).

CONSTRUCTION

- o) The facts relied upon to show that the proposed new construction is or will be required by public convenience or necessity are set forth above and also set forth in the entirety of this Application, including exhibits. 807 KAR 5:001, Section 9 (2) (a).
- p) Applicant has entered into an agreement with Hunter Martin & Associates, Inc. of Paducah, Kentucky, to provide engineering services for the "Series III" improvements. See Exhibit 1
- q) Contractors were requested to submit a bid for labor and materials and for labor only. Suppliers were requested to submit bids for materials only.
- r) Advertisements for sealed bids were duly published and upon bids being received, Applicant has approved the award of a contract to Stotts Construction, Inc. for labor and materials. The contract shall be in the amount of \$1,147,520.25. Exhibit 2 includes a copy of the Advertisement for Bids and the Publisher's Affidavit. Exhibit 3 shows the sign-in sheet and bid opening tabulations. Exhibit 4 shows the low bids received by the Applicant from Stotts Construction, Inc. and Consolidated Pipe & Supply Co., Inc. An unexecuted copy of the Contract is included in Exhibit 5. Tabulations of all bids received are shown in Exhibit 6. The Engineer's letter of recommendation and the Notice of Award are included in Exhibit 7. Award is subject to the Commission's approval herein.

- s) The estimated project cost is \$1,890,000 as shown in Exhibit 8.
- t) A full description of the proposed location of the new construction, including a description of the manner in which same will be constructed, is set forth in the Engineering Report (Exhibit 9), Hydraulic Documentation (Exhibit 23) and in the Plans and Specifications (Exhibit 10). Maps to suitable scale, showing the location of the proposed new construction, are included in the Plans and Specifications. There are no public utilities, corporations or persons with whom the proposed new construction or extension is likely to compete. There are no like facilities owned by others located anywhere within the map area. 807 KAR 5:001, Section 9 (2) (c) and (d)
- u) Franchises are not required for the proposed new construction. Copies of permits from proper public authorities are shown Exhibit 11. 807 KAR 5:001, Section 9 (2) (b)

FINANCING

- v) The proposed construction will be financed with the issuance of \$1,890,000 in Water Revenue Bonds to be designated as Series III. 807 KAR 5:001, Section 9 (2) (e).
- w) The Applicant's Annual Reports are on file with the Commission in accordance with 807 KAR 5:006, Section 3(1). 807 KAR 5:001, Section 10 (1) (b) 2.
- x) The financial information and estimated cost of operation after the proposed facilities are completed is shown in Exhibit 14, 807 KAR 5:001, Section 9 (2) (f).
- y) A general description of the Applicant's property and the field of its operation is set forth in annual reports, which have been previously filed by the Applicant with the Commission. . 807 KAR 5:001, Section 11 (1) (a)

- z) The Applicant desires to issue \$1,890,000.00 in Series III Water Revenue Bonds. The proceeds from these bonds will be used to construct the Series III Water System Improvements. The Applicant has hired the firm of J.J.B. Hilliard, W. L. Lyons, Inc. as its Fiscal Agent and to provide financial advisory services with respect to the bond issue. The terms, rate of interest and other relevant information are shown in Exhibit 13. The date of sale will be set upon Commission approval of the issuance of the bonds. 807 KAR 5:001, Section 11 (1) (b) and (c).
- aa) Applicant does not propose to discharge or refund obligations with any of the proceeds from the issuance of bonds. 807 KAR 5:001, Section 11 (1) (e).
- bb) There are no mortgage liens against the Applicant's property, other than those referenced above in the bond issues and KIA Loan. 807 KAR 5:001, Section 11 (2) (b) and Section 6 (4).
- cc) The independent Auditor's Annual Financial Statements Report is shown in Exhibit 14. 807 KAR 5:001, Section 6 (9) and 807 KAR 5:001, Section 10 (6) (k).
- dd) A summary of the Applicant's latest depreciation study with schedules by major plant accounts is shown in Exhibit 14. 807 KAR:001, Section 10 (6) (n).
- ee) A summary of the monthly managerial reports providing financial results of operations for the 12 months in the test period is shown in Exhibit 17. 807 KAR 5:001, Section 10 (6) (r).

RATE ADJUSTMENT

- ff) This request for an adjustment in existing rates is supported by a 12-month historical test period, which includes adjustments for known and measurable

- changes. The 12-month period runs from January 1, 2002, through December 31, 2002. This is shown in Exhibit 14. 807 KAR 5:001, Section 10 (1) (a).
- gg) The adjustment in rates is needed to finance the construction, which is detailed above. 807 KAR 5:001, Section 10 (1) (b) 1.
 - hh) The existing and proposed tariffs are shown in Exhibit 15. 807 KAR 5:001, Section 10 (1) (b) 7.
 - ii) Customer notice will be given, as required by law, and a copy of said Notice is shown in Exhibit 18. 807 KAR 5:001, Section 10 (1) (b) 9.
 - jj) The prepared testimony of Gerald Watts, Applicant's Accountant in support of this Application is shown in Exhibit 16. 807 KAR 5:001, Section 10 (6) (b).
 - kk) A statement estimating the effect that the new rates will have upon the revenues of the utility is shown in Exhibit 12. 807 KAR 5:001, Section 10 (6) (d).
 - ll) The effect upon the average bill of each customer classification to which the proposed rate change will apply is shown in Exhibit 12. 807 KAR 5:001, Section 10 (3) (a), (b), and (c), and Section 10 (6) (e).
 - mm) A summary of the Applicant's determination of its revenue requirements with supporting schedules is shown in Exhibit 14. 807 KAR 5:001, Section 10 (6) (h).
 - nn) A copy of the official statement of the offering for the Series III Water Revenue Bond will be submitted upon completion. 807 KAR 5:001, Section 10 (6) (p).
 - oo) A cost of service study is shown in Exhibit 12. 807 KAR 5:001, Section 10 (6) (u).
 - pp) There is no new property being acquired on this project. 807 KAR 5:001, Section 11 (1) (d) and Section 11 (2) (c)

- qq) The financial exhibit is included in Exhibit 14. 807 KAR 5:001, Section 11 (2) (a).
- rr) Applicants proposed tariff changes are shown in Exhibit 15. 807 KAR 5:001, Section 10 (1) (b) 8.
- ss) A complete description and quantified explanation for all proposed adjustments is stated in Exhibit 14. 807 KAR 5:001, Section 10 (6) (a).
- tt) An analysis of customers' bills is included in Exhibit 12. 807 KAR 5:001, Section 10 (6) (g)
- uu) A reconciliation of the rate base and capital used to determine Applicant's revenue requirements is in Exhibit 12. 807 KAR 5:001, Section 10 (6) (i).
- vv) A current Chart of Accounts is in Exhibit 20. 807 KAR 5:001, Section 10 (6) (j)
- ww) A detailed income statement and balance sheet reflecting the impact of all proposed adjustments is in Exhibit 14. 807 KAR 5:001, Section 10 (7) (a).
- xx) The Applicant is undertaking a \$1,890,000 capital project, as detailed in the Engineer's exhibits. 807 KAR 5:001, Section 10 (7) (b).
- yy) The proposed pro forma adjustments are set forth in Exhibit 14. 807 KAR 5:001, Section 10 (7) (c).
- zz) The project is expected to initially generate 65 new residential $\frac{3}{4}$ " meter customers, as shown in the Engineer's Plans & Specifications. 807 KAR 5:001, Section 10 (7) (e).
- aaa) To the extent the foregoing does not fully comply with applicable rules, regulations and other laws, deviations therefrom are requested.

WHEREFORE, the Applicant, **OHIO COUNTY WATER DISTRICT**, respectfully requests an Order approving issuance of a Certificate of Convenience and Necessity for construction of the Series III Water System Improvements; authorization to issue Series III Revenue Bonds in the amount of \$1,890,000; and authorization to adjust rates to pay for the additional indebtedness.

OHIO COUNTY WATER DISTRICT


Henry Morgan, Chairman

ATTORNEY FOR PETITIONER: E.

F. Martin, Jr., Attorney At
Law
408 North Main
Hartford, KY 42347

STATEMENT BY APPLICANT:

The undersigned, Henry Morgan, Chairman of the **OHIO COUNTY WATER DISTRICT**, hereby verifies that he has personal knowledge of the matters set forth in the above stated application, that the information set forth therein is true and correct and that he is duly designated by **OHIO COUNTY WATER DISTRICT** to sign this application on its behalf


Henry Morgan, Chairman

STATE OF KENTUCKY
COUNTY OF OHIO

Subscribed and sworn to before me this 4th day of April, 2003, by

HENRY MORGAN, CHAIRMAN OF OHIO COUNTY WATER DISTRICT.

My Commission Expires: 07-08-04


Notary Public, State of Kentucky at Large

(Seal)