

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ELKHORN)
WATER DISTRICT FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY TO)
REPLACE 6600 LF OF PIPELINE, TO REPLACE A)
BOOSTER PUMP STATION, TO INSTALL A NEW)
MASTER METER, AND NEW INDIVIDUAL)
METERS, AND TO REFURBISH AN EXISTING)
ELEVATED WATER TANK)

CASE NO.
2020-00113

ELKHORN WATER DISTRICT'S RESPONSE TO FIRST
REQUEST FOR INFORMATION

Elkhorn Water District (Elkhorn District), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on within 14 days of the date of this request. Pursuant to the Commission's Orders in Case No. 2020-00085, issued March 16, 2020, and March 24, 2020, Elkhorn District SHALL NOT FILE the original paper copy of all requested information at this time, but rather shall file original paper copies within 30 days of the lifting of the current state of emergency. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or

association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Elkhorn District shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Elkhorn District fails or refuses to furnish all or part of the requested information, Kentucky Power shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Elkhorn District shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Exhibit 5 of the application in this matter at Addendum #1 to the contract documents (Addendum #1), which identifies the system improvements within the scope of Contract I, Contract 11, and Contract 111, respectively.

- a. Confirm that Contract I, as referred to therein, only includes the construction of approximately 6,600 linear feet (LF) of new PVC water lines to replace the

existing 3-inch asbestos/cement line along Jones Lane in Franklin County, Kentucky, and the construction of a new 400 GPM booster pump station to replace an existing flood prone station, and if it cannot be confirmed, explain why it cannot be confirmed.

RESPONSE: Confirmed.

b. Confirm that Contract II, as referred to therein, only includes the installation of approximately 500 new individual meters and the installation of a new master meter, and if it cannot be confirmed, explain why it cannot be confirmed.

RESPONSE: Partially confirmed. 500 new radio read meters and remote reading equipment is part of the contract. Re-building the master meter is not.

c. Confirm that Contract III, as referred to therein, only includes the renovation of an elevated water tank, and if it cannot be confirmed, explain why it cannot be confirmed.

RESPONSE: Confirmed.

d. Explain why the application in this matter does not request a CPCN for the improvements within the scope of Contract III.

RESPONSE: No bids were received for Contract III.

e. Describe the status of obtaining bids for the improvements within the scope of Contract 111.

RESPONSE: We have not been able to solicit a bid for the work after bids were taken.

f. State whether Elkhorn District intends to use the proceeds for the loan at issue in this matter to fund any portion of the improvements within the scope of Contract III.

RESPONSE: The funds allocated for Contract III will not be used if no contractor submits a bid for the work.

2. Provide an itemized explanation of the total expected cost of the improvements identified in Addendum #1 as being within the scope of Contract I, including any engineering costs and any costs to obtain necessary rights in real property.

RESPONSE: Construction \$399,950;Engineering \$38,254;Construction Administration \$5,738;Construction Inspection \$27,125;Land \$25,000.

3. Provide an itemized explanation of the total expected cost of the improvements identified in Addendum #1 as being within the scope of Contract II, including any engineering costs and any costs to obtain necessary rights in real property.

RESPONSE: Construction \$195,420;Engineering \$18,842;Construction Administration \$2,826;Construction Inspection \$13,360.

4. Provide an itemized explanation of the total expected cost of the improvements identified in Addendum #1 as being within the scope of Contract III, including any engineering costs and any costs to obtain necessary rights in real property.

RESPONSE: No cost is expected as no bids have been obtained.

5. Identify all parties to which Elkhorn District sent a request for a bid to complete improvements within the scope of Contract I. Identify all parties from which a bid for completing those improvements was received, and state the amount of each bid.

RESPONSE: Twin States Utilities, Inc.; JODA International, LLC; JRS Construction, Inc.; Clearview Construction.

6. Identify all parties to which Elkhorn District sent a request for a bid to complete improvements within the scope of Contract II. Identify all parties from which a bid for completing those improvements was received, and state the amount of each bid.

RESPONSE: C.I. Thornburg; Core and Main; Twin States Utilities, Inc.

7. Identify all parties to which Elkhorn District sent a request for a bid to complete improvements within the scope of Contract III. Identify all parties from which a

bid for completing those improvements was received, and state the amount of each bid.

RESPONSE: Caldwell Tanks, Inc.; Pittsburgh Tanks.

8. Provide the winning bids for the improvements within the scope of Contract I and the improvements within the scope of Contract II as those contracts are defined in Addendum #1.

RESPONSE: These bids are not currently available due to the Covid 19 emergency. They will be provided as soon as the health emergency allows.

9. Refer to the application at paragraph 7 in which Elkhorn District indicates that it is requesting a CPCN to construct 6,600 LF of new PVC water line to replace the existing 3-inch asbestos/cement line along Jones Lane in Franklin County, Kentucky.

a. Identify when the existing line that will be replaced was installed.

RESPONSE: The existing line was installed with the initial construction of the water district. Our best guess is the mid-60s.

b. Identify the plant in service and the depreciation reserve for the line that Elkhorn District intends to replace.

RESPONSE: See exhibit 9b. The lines and meters that are being replaced were installed and have been fully depreciated according to our records.

c. Explain in detail every reason why the installation of the new line is necessary.

RESPONSE: The existing line is constructed of asbestos/cement and is about 50 years old. It suffers from frequent breaks. It is also undersized for the District's current needs. The Elkhorn Water District is replacing a 3 inch PVC line constructed in the 1970s. The district has an 8 inch line on Jones Lane at Woodlake/Stamping Ground Road. The line is tied to a 250,000 gallon tank. The present 3 inch line which connected to a 4 inch line on Jones Lane was too small to supply Switzer with water if the main on Switzer Road failed. The aforementioned 3 inch waterline was buried 12 feet deep by Mrs. Noel of Noel Hill Farm. The pressure from being buried 15 feet deep underground caused the line to fail. We were never able to determine where the leak was. Therefore, in 2011 we had to shut it off on both sides of the Noel farm. This is the reason for replacing the line which is almost half of the 6000 feet. Putting in a six-inch water line will allow the district to deliver volume to the 4 inch waterline which should feed Switzer in case of an emergency. At this point we have two dead end lines on Jones Lane which is causing some water quality issues. Therefore, putting the new line will eliminate this.

d. Identify each alternative to replacing the existing line with a new PVC water line that was explored to address the needs identified in response to subpart (c) of this request. Explain why Elkhorn District chose its current proposal over those alternatives, and if no alternatives were explored, explain why they were not.

RESPONSE: Only one alternative was explored. The Board rejected the "do nothing" option.

e. Provide all cost-benefit analyses, if any, performed by or on behalf of Elkhorn District to assess the proposed installation of the new line.

RESPONSE: No cost/benefit analysis was performed. By making a loop on Jones Lane, the district should be able to stop running about 10 gallons of water a minute, 24 hours a day out onto the ground to keep up division of water residual. It will save 5,256,000 gallons of water a year for a total savings of \$14,454. We are hopeful that the district will be able to supply water in case of emergency to 25% of our customers.

f. State whether the installation of the new water line will result in an increase in Elkhorn District's annual operating and maintenance expenses, and if so, provide an itemized explanation of that expected increase.

RESPONSE: It is expected to decrease both operation and maintenance costs due to anticipated reduction in repairs.

10. Refer to the application at paragraph 7 in which Elkhorn District indicates that it intends to install "new individual meters."

a. Identify the manufacturer and model of meters that Elkhorn District intends to replace with new meters, and identify the years in which those meters were installed and the number of such meters that were installed in each such year.

RESPONSE: See response to 9b.

b. Identify the plant in service and the depreciation reserve for the

meters, if any, that Elkhorn District intends to replace with new meters.

RESPONSE: See response to 9b.

c. Explain in detail every reason why the project to install new individual meters is necessary.

RESPONSE: This will eliminate the most common customer complaint, accurate meter readings. The new system will replace those meters that are at or reaching their life expectancy. The new system will also eliminate transcription errors.

d. Identify each alternative to installing the new meters as proposed that was explored to address the needs identified in response to subpart (c). Explain why Elkhorn District chose its current proposal over those alternatives, including why it chose the proposed meters over other options, and if no alternatives were explored, explain why they were not.

RESPONSE: Alternatives were to do nothing and test all existing meters and return them to service. We chose the new system to primarily eliminate meter reading errors that have plagued the system. The secondary reason was the necessity to test all meters at 10 years of life.

e. Provide all cost-benefit analyses, if any, performed by or on behalf of Elkhorn District to assess the proposed installation of new individual meters.

RESPONSE: No cost/benefit analysis was performed.

f. Identify any additional equipment and services, if any, that will be necessary to utilize the new meters as compared to Elkhorn District's existing meters.

RESPONSE: The bid includes the benefit of a meter reading system and installation of hardware in the office to utilize the new meter reading system and start training the staff to use the new software.

g. State whether the installation of the new individual meters will result

in an increase in Elkhorn District's annual operating and maintenance expenses, and if so, provide an itemized explanation of that expected increase.

RESPONSE: It should result in lower costs to the district in that re-reading meters will be eliminated and higher costs for meter readers will be eliminated. It will take only one person riding the system less than one day to bring the meter readings to the office.

11. Refer to the application at paragraph 7 in which Elkhorn District indicates that it is requesting a CPCN for a new 400 GPM booster pump station to replace an existing flood prone station.

a. Describe the project to replace the pump station in detail.

RESPONSE: The new Booster pump System (BPS) will be constructed across Elkhorn Creek from the current station. The new BPS will be a 2 story structure with pumps and controls on the 2nd floor. It will be a block structure elevated above the 500 year flood level. An internal stairway will allow access to the pumping floor. The pumps will be variable speed drives, built on a skid and delivered and installed as a unit. New internal valves and piping will be required to put the new BPS on line. The building will be 12' by 20'. Upper level doors will allow access to the upper floor in order to replace components as necessary.

b. Describe how often the flooding occurs at the current pump station and the effect of the flooding on the current pump station.

RESPONSE: Flooding has occurred 8 times in the last 25 years. Two floods, submerged the pumps and motors and controls. Six times, only the lower level was submerged.

Submerging the controls destroys the entire control system. Submerging the motors ruins the motors but the pumps themselves usually survive being submerged.

c. Identify all reasons other than flooding at the existing pump station, if any, and why it is necessary to replace the pump station.

RESPONSE: Additional reasons to replace BPS is the age of the station. It was constructed 50 years ago, and the current pumps are 40 years old. The controls are more than 20 years old. The electrical system is the original system and is badly outdated. The current system won't allow only one pump to run continuously. When one pump or motor fails the other

pump must be operated manually.

d. Identify each alternative to the new pump station that was explored to address the needs the new pump station is intended to address before Elkhorn District chose to replace the existing line with a new PVC line. Explain why Elkhorn District chose its current proposal over those alternatives, and if no alternatives were explored, explain why they were not.

RESPONSE: Since the current BPS is in the flood plain, the alternatives that were discussed only concerned a new location or rebuilding at the current site. Rebuilding at the current site was eliminated due to expected reconstruction of the highway bridge over Elkhorn Creek. The BPS is immediately adjacent to the existing bridge and would impede new construction. The other site studied was also very low in elevation and would need a taller structure than the one proposed herein to be free of future flooding.

e. The new BPS will be located on land that Elkhorn does not currently own. Negotiations are continuing with the owner to consummate a deal to deed a small tract to the water district.

f. Refer to the answer in question 2 herein.

g. No cost/benefit analysis was performed.

h. The new BPS will not result in an increase in operating or maintenance expenses of the district. Energy costs will be reduced with new higher efficiency pumps and motors. Catastrophic replacement will be eliminated.

12. Refer to the application at paragraph 7 in which Elkhorn District indicates that it intends to install a new master meter.

a. Describe the project to install a new master meter and the reason for

the project.

RESPONSE: The master meter vault and piping will be rebuilt in the existing vault. The piping size will be increased to be able to install a larger meter by Frankfort Electric and Water Plant Board. The larger meter is necessary to provide fire protection to the commercial businesses in the immediate area. Installation of a new master meter is needed because our present 3 inch Sensus meter maximum flow is 350 gallons a minute. Our new pump station will require the full flow of the present meter. The only problem as there is a 65 home trailer park, a restaurant, a beauty shop, and auto mechanic shop, 11 houses and 2 meters feeding 2 old churches between the master meter and the pump station. So if we do not increase the size of the meter, either all of those customers between the master meter and the pump station will be without water or the new pump station will burn up.

b. The pit that we are presently using can handle a 4 inch meter. To do this, the city of Frankfort will take out the two 4 x 3 reducers, flange a straight pipe to the inlet valve, then place a 4 inch brass in line strainer. They will then place a 4 inch Sensus auto-read turbine meter. The district will need to pay for the city workers time, the strainer and the flange piping.

13. Refer to the application at paragraph 23 in which Elkhorn District indicated that it received an extension from the Kentucky Infrastructure Authority (KIA) to satisfy the loan conditions.

a. Provide a copy of the March 20, 2019 KIA letter with all attachments wherein KIA extended the period for Elkhorn District to meet the loan conditions from October 23, 2017, to September 20, 2019.

RESPONSE: Documents requested are attached hereto.

b. Provide all correspondence, if any, received from KIA extending the period for Elkhorn District to meet the loan conditions past the September 20, 2019 deadline.

RESPONSE: See attached.

c. Explain whether Elkhorn District was able to meet the KIA loan conditions by the September 20, 2019 deadline.

RESPONSE: Elkhorn water district has and continues to meet all loan conditions set forth by the KIA. Please see the latest extension letter issued by KIA. Specifically, Elkhorn Water

District has made a great effort to keep in communication with KIA concerning all aspects of the loan and project. KIA has responded to all requests for assistance in a timely and professional manner.

d. If Elkhorn District was unable to meet the KIA loan conditions by the September 20, 2019 deadline, provide any form of commitment that Elkhorn District has received from KIA showing that Elkhorn District is currently able to obtain the \$750,000 loan.

RESPONSE: See response to c., above.

e. If Elkhorn District was unable to meet the KIA loan conditions by the September 20, 2019 deadline, provide any form of commitment that Elkhorn District has received from KIA showing that Elkhorn District is currently able to obtain the \$750,000 loan.

RESPONSE: See response to c., above.

f. Explain why Elkhorn District did not tender its application in this matter until April 2020 if it was required to satisfy the KIA loan conditions by September 20, 2019.

RESPONSE: See response to c., above.

14. Refer to Elkhorn District's Application, Exhibit 6, the System Upgrades, Preliminary Engineering Report dated September 2017. Identify those portions of each cost for the projects identified therein that are attributable to the renovation of the elevated storage tank.

No portion of the cost is attributable to the renovation of the elevated storage tank.

15. Refer to paragraph 15 of the application and to Exhibit 7, the October 8, 2019 System Upgrades Final Engineering Report. A 10 percent increase in rates is required

to finance Elkhorn District's proposed construction project.

RESPONSE: Please see the Executive Summary of the Kentucky Infrastructure Authority, Fund B Infrastructure Revolving Loan Fund, Projections. The district, due to a stronger financial performance than expected, is exploring the possibility of not asking for the additional 10% rate increase. That decision will be made with KIA concurrence. If a rate increase request is still warranted, the district will make application with the PSC in a timely and prudent manner, no later than October 2020.

a. Provide any form of communication Elkhorn District has received from KIA that requires a 10 percent increase in the current tariffed rate.

RESPONSE: See above Response.

b. If the 10 percent rate increase is not a requirement of KIA, provide a detailed explanation as to how Elkhorn District determined that a 10 percent rate increase is required.

RESPONSE: The 10% rate increase was based upon the need to repay the expected debt service using previous audited revenues. Since the end-of-the-year audit(2019) has been completed now, it appears that the increase can be less than 10%.Also, see Response above.

c. A rate application will be submitted during the construction phase of the project. Also, see Response above.

16. Refer to the application, Exhibit 9, Attachment A, Executive Summary KIA Fund B, Infrastructure Revolving Loan Fund.

a. Elkhorn District calculates the audited coverage ratios for the calendar years 2014 through 2016. Provide copies of the workpapers and calculations Elkhorn District used to calculate each audited calendar year coverage ratio in Excel format with all formulas intact and cells unprotected.

RESPONSE: These assumptions were calculated by KIA using audited financials provided by Elkhorn Water District. We do not have access to KIA calculation methods.

b. Elkhorn District calculates the projected coverage ratios for the calendar years 2017 through 2021. Provide copies of the workpapers and calculations Elkhorn District used to calculate each projected calendar year coverage ratio in Excel format with all formulas intact and cells unprotected.

RESPONSE: See response to a., above.

c. Calculate Elkhorn District's audited coverage ratios for the calendar years 2017 through 2019. Provide copies of the workpapers and calculations Elkhorn District used in its response in Excel format with all formulas intact and cells unprotected.

RESPONSE: See attached audited financials for years 2017 through 2019.

d. Also, refer to Exhibit 7, the Final Engineering report. Confirm whether the project calls for the replacement of the existing water line with 6-inch or 8-inch PVC line.

RESPONSE: 6 inch PVC will be used.

17. Refer to the application, Exhibit 11, the Kentucky Infrastructure Authority October 23, 2017 "Conditional Commitment Letter." Provide "Attachment A" referred to in the letter.

RESPONSE: Document requested is attached hereto.

18. Refer to the application, Exhibit 10, the October 5, 2017 minutes of the KIA Board meeting. Provide copies of the minutes of any KIA board meeting that has occurred since October 5, 2017, wherein the topic of the proposed Elkhorn District loan has been discussed.

RESPONSE: KIA minutes are available for review at: KIA.Ky.Gov

Michael Dudgeon by Clay Patrick, with
authority.
Michael Dudgeon, Chairman
Elkhorn Water District
P.O. Box 67
Frankfort, KY. 40602

DATED JUL 23, 2020

cc: Parties of Record



KENTUCKY INFRASTRUCTURE AUTHORITY

Andy Beshear
Governor

Capital Center Complex
100 Airport Road, Third Floor
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

Edith Halbleib
Executive Director

June 3, 2020

Michael Dudgeon
Elkhorn Water District
P.O. Box 67
Frankfort, KY 40601

KENTUCKY INFRASTRUCTURE AUTHORITY CONDITIONAL COMMITMENT LETTER (B18-003) EXTENSION

Dear Chariman Dudgeon:

The Kentucky Infrastructure Authority ("the Authority") has approved an extension of the B18-003 for the Elkhorn Water District ("the District") Capital Improvements Project. The Authority has extended the deadline for the District to meet the conditions set forth in the conditional commitment letter for a period of six (6) months for a second time. The original expiration date was October 6, 2018. The new expiration date will be December 3, 2020. If the project does not meet the conditions by the new expiration date, the commitment may be rescinded.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project to benefit both your community and the Commonwealth.

Sincerely,

A handwritten signature in cursive script that reads "Linda C. Bridwell".

Linda Bridwell, PE
Deputy Executive Director
Kentucky Infrastructure Authority

ELKHORN WATER DISTRICT

*P.O BOX 67
FRANKFORT, KENTUCKY 40602*

May 14, 2019

Ms. Debbie C. Landrum, Financial Analyst
Kentucky Infrastructure Authority
Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: KIA Loan #B18-003

Dear Ms. Landrum:

On behalf of the Elkhorn Water District (District) Board of Commissioners, please find below an updated schedule for the District's Capital Improvements Project. This project includes the following items:

- 1) Replacement of Master Meter
- 2) Installation of approximately 500 automatic radio read meters and associated equipment
- 3) Replacement of a booster water station
- 4) Replacement 6,660 linear feet of distribution pipeline
- 5) Refurbishment of an elevated water storage tank

The booster pump station replacement and the distribution pipeline replacement are the only items that require the District to file plans with the Kentucky Division of Water (DOW). Those plans are completed and will be filed with DOW early next week.

The District will issue a Request for Proposal (RFP) for items 2 through 5 immediately after the DOW approves the plans for items 3 and 4. The District will then apply to the Public Service Commission for a Certificate of Conveyance and Necessity for the overall project.

The installation of automatic radio read meters will be the first phase of the overall project. We anticipate the RFP process and acceptance of a bid for services to be completed within four weeks of the RFP posting. Upon completion of the bid process, the District anticipates installation to begin no later than August 1, 2019.

The next phases of the project, items 1, 3 and 4, will begin after completion of phase 2.

The final phase of the project will be item 5. The District anticipates initiating the RFP process for item 5 to begin sometime shortly before completion of items 3 and 4.

If you have questions or require additional information or explanation please do not hesitate to contact me at your convenience, (502) 330-2220.

Sincerely,

Michael F. Dudgeon, Jr., Chair
Elkhorn Water District Board of Commissioners

Cc: EWD Board
Warner Broughman, Consulting Engineer
Dale Gatewood, Water Operations
Clay Patrick, Board Attorney



KENTUCKY INFRASTRUCTURE AUTHORITY

Matthew G. Bevin
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
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kia.ky.gov

Donna McNeil
Executive Director

March 20, 2019

Elkhorn Water District
Attn: Michael Dudgeon
P.O. Box 67
Frankfort, KY 40601

**KENTUCKY INFRASTRUCTURE AUTHORITY
CONDITIONAL COMMITMENT LETTER (B18-003)
EXTENSION**

Dear Chairman Dudgeon:

The Kentucky Infrastructure Authority ("the Authority") has approved an extension of the loan B18-003 for the Elkhorn Water District ("the District") Capital Improvements Project. The Authority has extended the deadline for the District to meet the conditions set forth in the conditional commitment letter for a period of six (6) months. The original expiration date was October 23, 2018. The new expiration date will be September 20, 2019. If the project does not meet the conditions by the new expiration date, the commitment may be rescinded.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,

A handwritten signature in cursive script that reads "Linda Bridwell".

Linda Bridwell, PE
Deputy Executive Director
Kentucky Infrastructure Authority

**ELKHORN WATER DISTRICT
P.O. BOX 67
FRANKFORT, KENTUCKY 40601**

January 8, 2019

Ms. Ashley M. Adams, Financial Analyst
Kentucky Infrastructure Authority (KIA)
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: *Request for Conditional Commitment Extension, KIA Loan # B18-003*

Dear Ms. Adams:

On behalf of the Elkhorn Water District (District) Board of Commissioners, and the District's ratepayers, I hereby request the Kentucky Infrastructure Authority grant a Conditional Commitment Extension regarding the Fund B, Infrastructure Revolving Loan, KIA Loan # B18-003.

Please know that the Districts' Capital Improvements Project (CIP) has been delayed, primarily due to the General Rate Increase request which the EWD submitted to the Kentucky Public Service Commission (PSC) for approval last year. As you know, this initial Rate Increase is financially necessary in order for the CIP to proceed. The process was delayed, in part, for the following reasons:

- 1) The PSC required the District to provide customer, billing and rate information via the District's billing system in a specific format. At the time, the District's "system" was unable to generate a report in the format requested. The District was compelled to work with our system software Vendor in generating a program fix for the billing system in order to comply with the PSC's requirement. This process took place over a time period of about four months and upon completion, the District provided the PSC with all information in the requested format (note: the program fix is now available to other Water District's throughout the Commonwealth, a number of which use the same Vendor software and billing system as Elkhorn).
- 2) The PSC required that the District undergo a Field Audit / Financial Analysis, which was conducted by PSC staff. This exercise required the EWD Commission Chairperson and staff to meet with two PSC analysts and a PSC attorney at the District's office and provide them with numerous financial, and administrative records. The District met all requirements and the examination was successfully concluded.
- 3) The PSC granted a General Rate Increase for the District in December of last year. The District however did not completely agree with the PSC findings, and formally requested that the PSC reconsider its order. If the PSC agrees with the District's request, then it would mean a modest increase of the granted Rate. If the PSC does not find our request

reasonable, then the District will accept the granted Rate Increase as ordered in December of 2018. We anticipate an answer from the PSC by the end of January 2019. It is important to note that the District and the PSC have worked well together, and we anticipate this to continue over the course of the project.

Based upon receiving a final order concerning the General Rate Increase in the time frame described above, the District anticipates the following Project Schedule:

PSC/DOW Approval Process Initiated	January 2019
Bid Opening	March 2019
Construction Start	May 2019

Once again, on behalf of the District's Board and Ratepayers thank you for taking this request under consideration. The District believes this loan provides the best avenue for the successful completion of the CIP, helping to ensure the District's ability to continue its mission to provide safe and affordable water to its ratepayers. If the KIA requires any additional information please do not hesitate to contact me at anytime

Respectfully submitted,

Michael F. Dudgeon, Jr, Chair
Elkhorn Water District

**ELKHORN WATER DISTRICT
P.O. BOX 67
FRANKFORT, KENTUCKY 40601**

January 8, 2019

Ms. Ashley M. Adams, Financial Analyst
Kentucky Infrastructure Authority (KIA)
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: ***Request for Conditional Commitment Extension, KIA Loan # B18-003***

Dear Ms. Adams:

On behalf of the Elkhorn Water District (District) Board of Commissioners, and the District's ratepayers, I hereby request the Kentucky Infrastructure Authority grant a Conditional Commitment Extension regarding the Fund B, Infrastructure Revolving Loan, KIA Loan # B18-003.

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- 1) The PSC required the District to provide customer, billing and rate information via the District's billing system in a specific format. At the time, the District's "system" was unable to generate a report in the format requested. The District was compelled to work with our system software Vendor in generating a program fix for the billing system in order to comply with the PSC's requirement. This process took place over a time period of about four months and upon completion, the District provided the PSC with all information in the requested format (note: the program fix is now available to other Water District's throughout the Commonwealth, a number of which use the same Vendor software and billing system as Elkhorn).
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reasonable, then the District will accept the granted Rate Increase as ordered in December of 2018. We anticipate an answer from the PSC by the end of January 2019. It is important to note that the District and the PSC have worked well together, and we anticipate this to continue over the course of the project.

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Once again, on behalf of the District's Board and Ratepayers thank you for taking this request under consideration. The District believes this loan provides the best avenue for the successful completion of the CIP, helping to ensure the District's ability to continue its mission to provide safe and affordable water to its ratepayers. If the KIA requires any additional information please do not hesitate to contact me at anytime

Respectfully submitted,

Michael F. Dudgeon, Jr, Chair
Elkhorn Water District

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND B, INFRASTRUCTURE REVOLVING LOAN FUND		Reviewer Date KIA Loan Number WRIS Number	Meili Sun October 5, 2017 B18-003 WX21073021	
BORROWER		ELKHORN WATER DISTRICT FRANKLIN COUNTY		
BRIEF DESCRIPTION				
This project will reconstruct the booster pump station, replace 6,600 linear feet of distribution pipeline located on Jones Lane, refurbish an existing elevated water storage tank, replace a master meter, and install approximately 500 automatic radio read meters and associated equipment.				
PROJECT FINANCING		PROJECT BUDGET		
Fund B Loan	\$850,000	RD Fee %	Actual %	
Elkhorn Water District	30,000	Administrative Expenses	\$0	
		Legal Expenses	1,000	
		Land, Easements	60,000	
		Planning	10,000	
		Eng - Design / Const	10.1% 10.0% 53,770	
		Eng - Insp	7.2% 7.0% 37,400	
		Construction	471,200	
		Equipment	182,800	
		Contingency	63,830	
TOTAL	\$880,000	TOTAL	\$880,000	
REPAYMENT	Rate Term	2.75% 20 Years	Est. Annual Payment 1st Payment 6 Mo. after first draw \$57,238	
PROFESSIONAL SERVICES	Engineer Bond Counsel	Warner A. Broughman III & Associates Dinsmore & Shohl, LLP		
PROJECT SCHEDULE	Bid Opening Construction Start Construction Stop	Mar-18 May-18 Oct-18		
DEBT PER CUSTOMER	Existing Proposed	\$246 \$1,738		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES	Current Additional	<u>Users</u> 562 0	<u>Avg. Bill</u> \$27.65 (for 4,000 gallons) \$27.65 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2014	27,218	4,006	23,212	6.8
Audited 2015	8,604	21,076	(12,472)	0.4
Audited 2016	27,297	12,623	14,674	2.2
Projected 2017	31,323	12,466	18,857	2.5
Projected 2018	49,666	12,556	37,110	4.0
Projected 2019	82,251	69,864	12,387	1.2
Projected 2020	79,889	69,912	9,977	1.1
Projected 2021	77,480	69,788	7,692	1.1

Reviewer: Meili Sun
Date: October 5, 2017
Loan Number: B18-003

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)
ELKHORN WATER DISTRICT, FRANKLIN COUNTY
PROJECT REVIEW
WX21073021**

I. PROJECT DESCRIPTION

The Elkhorn Water District is requesting a Fund B loan in the amount of \$850,000 for their Capital Improvements Project. This project will elevate and rebuild the booster pump station for flood protection and replace 6,600 linear feet of 4 inch asbestos concrete distribution pipeline located on Jones Lane with 8 inch PVC line. It will also paint and refurbish both interior and exterior of an over 40 year old elevated water storage tank, replace a master meter as requested by the Frankfort Plant Board, as well as install approximately 500 automatic radio read water meters and associated equipment.

Elkhorn Water District provides services to approximately 562 customers. They purchase their water exclusively from the Frankfort Plant Board. Their rates are regulated by the Kentucky Public Service Commission.

II. PROJECT BUDGET

Administrative Expenses	
Legal Expenses	\$ 1,000
Land, Easements	60,000
Planning	10,000
Engineering Fees - Design / Const	53,770
Engineering Fees - Inspection	37,400
Construction	471,200
Equipment	182,800
Contingency	63,830
Total	\$880,000

III. PROJECT FUNDING

	Amount	%
KIA Fund B Loan	\$850,000	97%
Elkhorn Water District	30,000	3%
Total	\$880,000	

IV. KIA DEBT SERVICE

Amortized Loan Amount	\$ 850,000
Interest Rate	2.75%
Loan Term (20 Years)	20
Estimated Annual Debt Service	\$ 55,538
Administrative Fee (0.20%)	1,700
Annual Debt Service	\$ 57,238

V. PROJECT SCHEDULE

Bid Opening	March, 2018
Construction Start	May 2018
Construction Stop	October 2018

VI. RATE STRUCTURE

A. Customers

Customers	Current
Residential	553
Commercial	9
Industrial	0
Total	562

B. Water Rates

Charges to Customers	Proposed	Current	Prior
	11/15/17	02/14/17	11/18/14
Minimum (First 2,000 gallons)	\$17.02	\$15.47	\$14.93
Next 3,000 gallons	6.70	6.09	5.82
Cost for 4,000 gallons	\$30.42	\$27.65	\$26.57
Increase %	10.0%	4.1%	
Affordability Index (Rate/MHI)	0.6%	0.5%	
Frankfort Plant Board Wholesale Water Rates	Proposed	Current	Prior
	11/01/17	11/01/16	11/01/15
Average Volume in Gallons	65,339,000	65,339,000	65,339,000
Estimated Cost	\$166,615	\$160,081	\$153,5475
Increase %	4.1%	4.3%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2010-2014, the Utility's service area population was 1,488 with a Median Household Income (MHI) of \$62,291. The median household income for the Commonwealth is \$43,740. The project will qualify for a 2.75% interest rate.

Year	Population		County Unemployment	
	County	% Change	Date	Rate
1980	41,830		June 2005	5.0%
1990	43,781	4.7%	June 2010	8.8%
2000	47,687	8.9%	June 2015	4.6%
2010	49,285	3.4%	June 2016	4.2%
Current	49,778	1.0%		
Cumulative %		19.0%		

VIII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended December 31, 2014 through December 31, 2016. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Total revenues increased by 17% from \$ 262,447 in 2014 to \$306,931 in 2016. Operating expenses went up by 18.8% for the same time period. The Elkhorn Water District purchases water exclusively from the Frankfort Plant Board. The wholesale water rate has gone up from \$2.25 to \$2.45 per 1,000 gallons since November 12, 2014. The debt coverage ratio was 6.8, 0.4, and 2.2 for 2014, 2015, and 2016 respectively.

The balance sheet reflects a current ratio of 6.8, a debt to equity ratio of 0.5, days sales in accounts receivable of 30.8, and months of operating expenses in unrestricted cash of 7.1.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues reflect a proposed 10% rate increase in 2018 as well as an 11% or \$37,000 increase in 2019.
- 2) Water purchase cost will go up 4.3% in 2017 and 3.4% in 2018 due to previously approved wholesale rates by PSC.
- 3) Operating expenses other than water purchase cost will increase 2% for inflation.
- 4) Debt service coverage is 1.2 in 2019 when full annual principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund B loan.

REPLACEMENT RESERVE

The annual replacement cost is 5% (\$42,000) of the final amount borrowed to be funded annually (\$2,100) each December 1 over 20 years and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
USDA Rural Development Bonds	\$138,200	2032
Total	\$138,200	

X. CONTACTS

Legal Applicant/Project Administrator	
Name	Elkhorn Water District
Address	P.O. Box 67 Frankfort, KY 40601
County	Franklin
Authorized Official	Michael Dudgeon, Chairman
Phone	(502) 330-2220
Email	mdudgeon@ihlic.com

Consulting Engineer

Name	Warner Broughman
Firm	Warner A. Broughman III & Associates
Address	3161 Custer Drive, Suite 6 Lexington, KY 40517
Phone	(859) 271-1778
Email	wabiii@prodigy.net

XI. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

ELKHORN WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)

	Audited <u>2014</u>	Audited <u>2015</u>	Audited <u>2016</u>	Projected <u>2017</u>	Projected <u>2018</u>	Projected <u>2019</u>	Projected <u>2020</u>	Projected <u>2021</u>
Balance Sheet								
Assets								
Current Assets	172,124	253,686	274,308	294,289	333,599	349,086	359,063	366,755
Other Assets	412,899	304,143	279,015	250,928	1,072,841	1,022,754	972,667	922,580
Total	585,023	557,829	553,323	545,217	1,406,440	1,371,840	1,331,730	1,289,335
Liabilities & Equity								
Current Liabilities	25,661	37,436	40,540	41,651	42,751	43,851	45,051	46,351
Long Term Liabilities	151,282	137,847	132,700	126,800	970,500	963,800	956,600	948,800
Total Liabilities	176,943	175,283	173,240	168,451	1,013,251	1,007,651	1,001,651	995,151
Net Assets	408,080	382,546	380,083	376,766	393,189	364,189	330,079	294,184
Cash Flow								
Revenues	262,447	280,028	306,931	320,436	347,032	384,032	384,032	384,032
Operating Expenses	235,572	271,751	279,975	289,454	297,707	302,122	304,484	306,893
Other Income	343	327	341	341	341	341	341	341
Cash Flow Before Debt Service	27,218	8,604	27,297	31,323	49,666	82,251	79,889	77,480
Debt Service								
Existing Debt Service	4,006	21,076	12,623	12,466	12,556	12,626	12,674	12,550
Proposed KIA Loan	0	0	0	0	0	57,238	57,238	57,238
Total Debt Service	4,006	21,076	12,623	12,466	12,556	69,864	69,912	69,788
Cash Flow After Debt Service	23,212	(12,472)	14,674	18,857	37,110	12,387	9,977	7,692
Ratios								
Current Ratio	6.7	6.8	6.8	7.1	7.8	8.0	8.0	7.9
Debt to Equity	0.4	0.5	0.5	0.4	2.6	2.8	3.0	3.4
Days Sales in Accounts Receivable	37.4	30.7	30.8	30.8	30.7	30.7	30.7	30.7
Months Operating Expenses in Unrestricted Cash	7.4	6.5	7.1	7.7	8.9	9.4	9.7	9.9
Debt Coverage Ratio	6.8	0.4	2.2	2.5	4.0	1.2	1.1	1.1

DATE	DESCRIPTION	METHOD	LIFE	BASIS
<u>PUMPS, LINES, METERS</u>				
10/10/1975	PUMPS, LINES, METERS	S/L	40	531,878.71
7/1/1989	PUMPS, LINES, METERS	S/L	40	5,864.19
6/1/1991	1991 NEW CUSTOMER SERVICE	S/L	10	1,164.07
6/30/1992	1992 NEW CUSTOMER SERVICE	S/L	10	3,258.11
6/30/1993	1993 NEW CUSTOMER SERVICE	S/L	7	4,248.84
6/30/1994	1994 NEW CUSTOMER SERVICE	S/L	10	6,152.68
1/1/1984	SERVICE LINE TO NEW STORAGE TANK	S/L	45	128,891.13
6/30/1995	1995 NEW CUSTOMER SERVICE	S/L	10	10,949.72
6/30/1996	1996 NEW CUSTOMER SERVICE	S/L	10	15,732.39

Exh. 9b

12/10/1997	PUMPS, LINES, METERS	S/L	40	8,502.69
6/30/1997	1997 NEW CUSTOMER SERVICE	S/L	10	14,803.21
6/30/1998	1998 NEW CUSTOMER SERVICE	S/L	10	10,951.37
6/30/1999	1999 NEW CUSTOMER SERVICE	S/L	10	9,491.14
6/30/2000	2000 NEW CUST SERV + N.FORK DEVL P	S/L	10	31,970.30
6/30/2001	2001 NEW CUSTOMER SERVICE	S/L	10	10,818.03
6/30/2002	2002 NEW CUSTOMER SERVICE	S/L	10	12,667.85
6/30/2003	2003 NEW CUSTOMER SERVICE	S/L	10	7,673.82
10/13/2003	TELEMETRY SYSTEM	S/L	10	12,487.00
6/30/2003	VALVES	S/L	10	9,928.18
6/30/2004	2004 NEW CUSTIMER SERV	S/L	10	9,555.51
6/30/2005	2005 NEW CUSTIMER SERV	S/L	10	8,545.70
6/30/2006	2006 NEW CUSTIMER SERV	S/L	10	5,647.22
6/30/2007	2007 NEW CUSTIMER SERV	S/L	50	10,069.25
6/30/2008	2008 NEW CUSTIMER SERV	S/L	50	6,073.66
6/30/2009	2009 NEW CUSTIMER SERV	S/L	50	32,055.38
6/30/2010	2010 NEW CUSTIMER SERV	S/L	50	14,410.32
6/30/2011	2011 NEW CUSTIMER SERV	S/L	50	2,706.94
6/30/2012	2012 NEW CUSTIMER SERV	S/L	50	2,100.11
6/30/2013	2013 NEW CUSTIMER SERV	S/L	50	3,117.43
6/30/2014	2014 NEW CUSTIMER SERV	S/L	50	2,669.06
6/30/2015	2015 NEW CUSTIMER SERV	S/L	50	1,653.41

Exh: 10 b