

DEHNER &  
ELLIS, P.S.C.

ATTORNEYS AT LAW

TRUMAN L. DEHNER  
JOHN JAY ELLIS

206 EAST MAIN STREET  
MOREHEAD, KY 40351

(606) 783-1504  
(606) 784-2744 (FAX)

May 17, 2012

VIA FEDERAL EXPRESS

Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

RECEIVED

MAY 18 2012

PUBLIC SERVICE  
COMMISSION

SUBJECT: Application Of Rowan Water, Inc.

To Whom It May Concern:

Enclosed please find the original and ten (10) copies of the Application of Rowan Water, Inc., for a Certificate of Convenience and Necessity to construct and finance improvement projects, and to increase rates.

Also enclosed are eleven (11) copies of the required exhibits. A certified copy of the Articles of Incorporation has not been included because they were previously filed in Case No. 2007-00385.

For your information, the public notice of proposed rate change will be published on May 18, 2012.

If you need any additional information to process this Application, please contact me.

Very truly yours,

Truman L. Dehner

TLD:bd

Enclosures

cc: Rowan Water, Inc.

U.S.D.A. (ATTN: Mr. Douglas Hoff)

Kentucky Engineering Group, PLLC



RECEIVED

MAY 18 2012

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF ROWAN WATER, INC. )  
FOR A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY TO CONSTRUCT, ) CASE NO. \_\_\_\_  
FINANCE AND INCREASE RATES )  
IMPROVEMENT PROJECTS PURSUANT TO KRS )  
278.023 )

APPLICATION

This Application of the Rowan Water, Inc. (the "Applicant") of Rowan County, Kentucky, respectfully shows:

1. That Applicant is a water association of Rowan County, Kentucky, created and existing under and by virtue of Chapter 271B of the Kentucky Revised Statutes.

2. The Association's office address is 110 Hargis Avenue, Morehead, Kentucky 40351.

3. That Applicant, pursuant to the provisions of KRS 278.020 and 278.023, seeks (i) a Certificate of Public Convenience and Necessity, permitting Applicant to construct a waterworks construction project, consisting of extensions, additions, and improvements (the "Project") to the existing waterworks system of Applicant; (ii) an Order approving increased rates; and (iii) approval of the proposed plan of financing said Project.

4. The water system improvements projects consist of:

Contract No. 3 - the construction/replacement/extension of water mains in various parts of Rowan County,

Contract No. 5 – administration building expansion

5. That Applicant proposes to finance the construction of the Project through (i) a loan from Rural Development in the amount of \$1,031,000, and (ii) a Rural Development Grant in the amount of \$399,000.

6. That Applicant does not contemplate having the Project constructed with any deviation from minimum construction standards of the Public Service Commission.

7. That Applicant files herewith the following Exhibits pursuant to 807 KAR 5:069 in support of this Application.



- A. Copy of RD Letter of Conditions, as amended
- B. Copy of RD Letter of Concurrence in Bid Award
- C. Certified statement from the President of the Applicant based upon statements of the Engineers for Applicant, concerning the following:
  - (1) The proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Sections 8(1) through (3); Section 9(1) and Section 10;
  - (2) All other state approvals or permits have already been obtained;
  - (3) The proposed rates of Applicant shall produce the total revenue requirements set out in the engineering reports; and
  - (4) Setting out the dates when it is anticipated that construction will begin and end.
- D. Copy of Preliminary and Final Engineering Reports
- E. A certified copy of the Applicant's Articles of Incorporation has been previously filed in Rowan Water Inc., Case No. 2007-00385.

8. That Applicant has arranged for the publication, prior to or at the same time this Application is filed, of a Notice of Proposed Rate Change pursuant to Section 2 of 807 KAR 5:069, in the *Morehead News*, which is the newspaper of general circulation in Applicant's service area and in Rowan County, Kentucky. Said Notice sets out the current rates and the proposed rates of Applicant and a brief description of the Project. A copy of said Notice is filed herewith as an Exhibit.

9. That the foregoing constitutes the documents necessary to obtain the approval of the Public Service Commission in accordance with Section 278.023 of the Kentucky Revised Statutes and in accordance with the "Filing Requirements" specified in 807 KAR 5:069, Section 1.

**WHEREFORE**, the Applicant, Rowan Water, Inc. asks that the Public Service Commission of Kentucky grant to the Applicant the following:

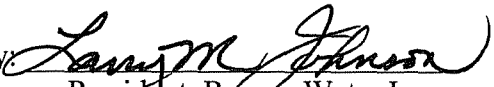
- a. A Certificate of Public Convenience and Necessity permitting Applicant to construct a waterworks project consisting of extensions, additions, and improvements to the existing waterworks system of Applicant.
- b. An Order approving the financing arrangements made by Applicant, viz., the issuance of (i) a \$1,031,000 loan and (ii) an RD Grant in the amount of



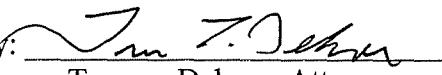
\$399,000.

- c. An Order approving the proposed increased rates as set out in Section 27 of the RD Letter of Conditions, Amendment No. 1, filed herewith as an Exhibit.

ROWAN WATER, INC.

By:   
President, Rowan Water Inc.

Truman Dehner, Attorney


By:   
Truman Dehner, Attorney



COMMONWEALTH OF KENTUCKY )  
 )  
COUNTY OF BATH )


The undersigned, Larry Johnson, being duly sworn, deposes and states that he is the President of the Rowan Water, Inc., Applicant; that he has read the foregoing Application and has noted the contents thereof; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

15<sup>th</sup> IN TESTIMONY WHEREOF, witness the signature of the undersigned on this day of May 2012.

  
Larry Johnson, President  
Rowan Water, Inc.

Subscribed and sworn to before me by Larry Johnson, President of the Rowan Water, Inc., on this 15<sup>th</sup> day of May 2012.

My Commission expires: 9/1/12

  
Notary Public,  
In and for said County and  
State





**United States Department of Agriculture**  
**Rural Development**  
Kentucky State Office

April 25, 2012

Larry M. Johnson, President  
Rowan Water, Inc.  
110 S. Hargis Ave  
Morehead, Kentucky 40351

Re: Letter of Conditions Dated August 29, 2011

Dear Mr. Johnson:

This letter shall serve as Amendment No. 1 to the Letter of Conditions dated August 29, 2011. The purpose of this amendment is to provide for a subsequent RUS Loan of \$100,000 and revise rates and charges.

The Second Paragraph on Page 1 is revised to read as follows:

“ This letter is not to be considered as loan and/or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,031,000, a RUS grant not to exceed \$399,000. No applicant cash contribution is required. ”

Paragraph numbered “6” is revised to read as follows:

“ 6. Reserve Accounts:

Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance, pay for repairs, and assist with debt service should the need arise.

The Corporation will be required to deposit \$410 per month into a "Funded Debt Reserve Account" until the account reaches \$49,200. The deposits are to be resumed any time the account falls below the 49,200.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the Corporation's prior bond ordinances.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

771 Corporate Drive • Suite 200 • Lexington, KY 40503  
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or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).



The Corporation also needs to fund an account for short-lived assets by depositing a sum of \$1,500 monthly into the account. The funds in the short-lived asset account may be used by the Corporation as needed to replace or add short-lived assets in the Corporation's water system. "

Paragraph numbered "13" is revised to read as follows:

" 13. Insurance and Bonding:

The following insurance and bonding will be required:

- C. Fidelity Bond – The Corporation will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$315,000. "

" 24. Cost of Facility:

Breakdown of Costs:

Development	\$ 1,140,816
Land and Rights	10,000
Legal and Administrative	5,500
Engineering	161,320
Contingencies	<u>112,364</u>
TOTAL	\$ 1,430,000

Financing:

RUS Loan	\$ 1,031,000
RUS Grant	<u>399,000</u>
TOTAL	\$ 1,430,000 "

Paragraph numbered "27" is revised to read as follows:

" 27. Rates and Charges:

Rates and charges for facilities and services rendered by the Corporation must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Water rates will be at least:

5/8 Inch:

First	2,000	gallons @ \$	18.40. - Minimum Bill.
Next	3,000	gallons @ \$	6.50. - per 1,000 gallons.
Next	10,000	gallons @ \$	6.00. - per 1,000 gallons.



Next	10,000	gallons @ \$	5.85. - per 1,000 gallons.
Next	10,000	gallons @ \$	5.50. - per 1,000 gallons.
Next	15,000	gallons @ \$	5.20.- per 1,000 gallons.
All Over	50,000	gallons @ \$	5.00. - per 1,000 gallons.

3/4 Inch:

First	4,000	gallons @ \$	31.40. - Minimum Bill.
Next	1,000	gallons @ \$	6.50. - per 1,000 gallons.
Next	10,000	gallons @ \$	6.00. - per 1,000 gallons.
Next	10,000	gallons @ \$	5.85. - per 1,000 gallons.
Next	10,000	gallons @ \$	5.50. - per 1,000 gallons.
Next	15,000	gallons @ \$	5.20. - per 1,000 gallons.
All Over	50,000	gallons @ \$	5.00. - per 1,000 gallons.

1 Inch:

First	5,000	gallons @ \$	37.90. - Minimum Bill.
Next	10,000	gallons @ \$	6.00. - per 1,000 gallons.
Next	10,000	gallons @ \$	5.85. - per 1,000 gallons.
Next	10,000	gallons @ \$	5.50. - per 1,000 gallons.
Next	15,000	gallons @ \$	5.20. - per 1,000 gallons.
All Over	50,000	gallons @ \$	5.00. - per 1,000 gallons.

1.5 Inch:

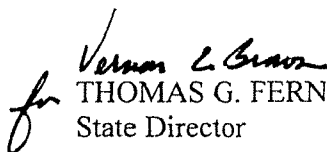
First	15,000	gallons @ \$	97.90. - Minimum Bill.
Next	10,000	gallons @ \$	5.85. - per 1,000 gallons.
Next	10,000	gallons @ \$	5.50. - per 1,000 gallons.
Next	15,000	gallons @ \$	5.20. - per 1,000 gallons.
All Over	50,000	gallons @ \$	5.00. - per 1,000 gallons.

2 Inch:

First	25,000	gallons @ \$	156.40. - Minimum Bill.
Next	10,000	gallons @ \$	5.50. - per 1,000 gallons.
Next	15,000	gallons @ \$	5.20. - per 1,000 gallons.
All Over	50,000	gallons @ \$	5.00. - per 1,000 gallons. "

All other provisions of the referenced Letter of Conditions remain in full force and unchanged.

Sincerely,

  
 THOMAS G. FERN  
 State Director

cc: Area Director - Morehead, Kentucky  
 Gateway ADD - Owingsville, Kentucky  
 Truman Dehner - Morehead, Kentucky  
 Kentucky Engineering Group - Versailles, Kentucky  
 PSC - ATTN: Dennis Jones - Frankfort, Kentucky





**United States Department of Agriculture  
Rural Development  
Shelbyville Area Office**

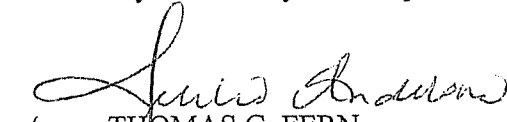
May 10, 2012

**SUBJECT:** Rowan Water, Inc.  
Water System Improvements  
Contract Award Concurrence

**TO:** Area Office  
Morehead, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of the subject contact to the low bidder on Contract 5, Packs, Inc., in the amount of \$465,816.00, and the selected bidder on Contract 3, Emmitt Caskey. The actual low bidder on Contract 3 had a bid error and requested to withdraw their bid without penalty. Rowan Water determined that they would allow the withdraw of the low bidder and award the contract to the second low bidder on Contract 3 in the amount of \$742,606.58 with a reducing change order being executed to bring the contract within available project funds with a new construction amount of \$674,999.50. Local Counsel has determined that all applicable laws and regulations have been met.

If you have any further questions or comments, please contact Julie Anderson at 859-224-7336.

  
THOMAS G. FERN  
State Director  
Rural Development

90 Howard Drive • Suite 3 • Shelbyville, KY 40065  
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110 S Hargis Ave

Morehead, KY 40351

Mr. Jeff R. Derooven  
Executive Director  
KY Public Service Commission  
PO Box 615  
Frankfort KY 40602-0615

RE: Rowan Water Inc.  
Rural Development Funded Project  
Certificate of Public Convenience and Necessity and Adjustment of Rates

Dear Mr. Derooven:

This is to certify that the plans and specifications for the project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066 Section 4(3) and (4); Section 5(1); Sections 6 and 7; Sections 8(1) through (3); Section 9(1) and Section 10. I make this certification based on information supplied to me by our engineers for this project.

Also, our engineers have stated that all required state approvals and/or permits have been obtained.

The proposed rates shown in the Rural Development Letter of Conditions, Amendment No. 1 will generate the total revenue requirements set out in the engineering reports.

We expect that construction will begin approximately 30 days after receiving the PSC approval of the Certificate of Public Convenience and Necessity and will take approximately 180 days. We expect that that all construction and project close out will be complete by the end of 2012.

Sincerely,

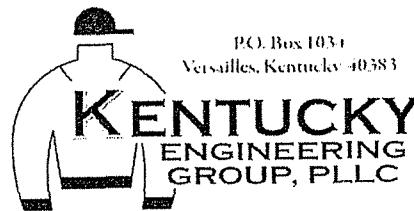
Larry Johnson,  
President



**Preliminary Engineering Report  
Rowan Water, Inc.**

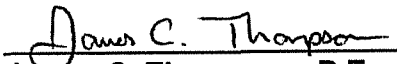
**US 60/Park Hills Water Line Replacement, Storage Tank  
Improvements, and Maintenance Building Modifications**

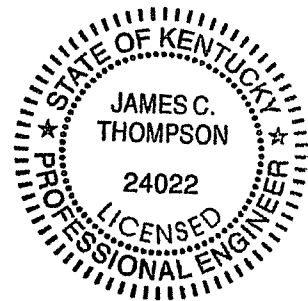
**prepared by:**



**859.351.9849**

**Submitted By:**

  
**James C. Thompson, P.E.**  
**Project Engineer**





## **ROWAN WATER, INC.**

### **Preliminary Engineering Report US 60/Park Hills Water Line Replacement, Storage Tank Improvements, and Maintenance Building Modifications**

#### **Purpose**

Rowan Water, Inc. (RWI) is proposing to replace approximately two miles of water line along US 60 in the Haldeman area of the county. The existing line is a 6 inch asbestos concrete pipe that does not carry the volume of water that is required by the customers served by this line. Also to be replaced is approximately 4,000 linear feet of existing 2 inch line in the Park Hills area. This line will be replaced with a six inch water line again, to provide the volume of water necessary to serve the customers on this line.

It is also proposed to make improvements to two of the system's storage tanks. Mixing improvements will be made in the 3-C and Frank Johnson tanks. The 3-C tank is a glass line tank and will be resealed inside. The Frank Johnson tank will be repainted.

In the spring of 2010, the Rowan Water, Inc. office located in downtown Morehead was flooded. The staff that works at that office had to re-locate to the maintenance building located at Christy Creek while cleaning and renovations were undertaken at the Hargis Avenue office. Rowan Water wants to make modifications at the maintenance building to construct more efficient/functional office space should flooding occur again at the Hargis Avenue location requiring relocation of the office staff in the future. If the Hargis location does flood in the future, Rowan Water would consider making the relocation to the maintenance building a permanent arrangement.

Project mapping showing the proposed locations of the new water lines, storage tank improvements, and the maintenance building modifications is attached to this Preliminary Engineering Report as Appendix A.

#### **Project Planning Area**

The project areas area is located along US60 in the Haldeman area near the Carter County line and the Park Hills Subdivision off of Route 32.

According to the Kentucky State Data Center, Rowan County's population grew from 1980 to 1990 by almost seven percent. The 2000 population is almost 8.5 percent higher than the 1990 population. The Data Center's 2009 population estimate for Rowan County is 22,872 and has projections through the year 2050. The population in Rowan County is projected to continue to grow 21 percent from the 2009 estimate to the year 2050 projection of 27,773.

From 1987 through 1996, RWI's customer base grew from 2,022 customers to 4,249. As of the August 2010 billing, the number of customers had increased to 6,774. The majority of the customers 6,684 are residential with the balance of 90 being commercial customers. Rowan Water has two wholesale customers, Fleming County Water Association and the



City of Olive Hill.

### **Existing Facilities**

RWI has a contract to purchase water from the Morehead Utility Plant Board (MUPB). The contract allows RWI to purchase up to 30 percent of the capacity of the current water treatment plant. The MUPB water treatment plant and storage/transmission system was upgraded in the early part of this decade increasing the plant capacity to 8.5 MGD. RWI's allocated portion of this plant is 30 percent or 2.7 MGD. RWI averages 1.6 MGD. The contract was signed in February 2001 and is valid for a period of 40 years. RWI sells water to two water systems; the Fleming County Water Association which purchases approximately 500,000 gallons per month and the City of Olive Hill, which purchases an average of 80,000 gallon per month.

### **Need for Project**

The water line needs to be upsized to provide sufficient volume for the number of customers connected to the line along US 60 and in the Park Hills Subdivision. The line extension is proposed because the potential customers need a safe reliable source of water. The storage tank improvements will improve the water quality.

### **Alternatives Considered**

For the US 60 and Park Hills water line replacement the main alternative considered was to install a second water line to provide additional volume but not take out the existing AC line. This was not chosen because it would result in a very complicated construction process and future maintenance.

For the line extension along Upper Craney, the only viable alternative considered was the "no action" alternative. This would not provide a safe reliable source of water to the residents in this area.

The alternative considered to the tank improvements was total replacement of the two tanks but this was discounted due to greater cost.

The alternative considered to the maintenance building was to not take any action. By doing this Rowan Water would have to respond to a flooding situation when it occurs in the future.

### **Proposed Project**

The preliminary estimated cost for this project is as follows:

#### **Construction Cost**

Water Line Replacement & Extension	\$650,000
Storage Tank Improvements	\$180,000
Maintenance Building Modifications	<u>\$200,000</u>



<b>Construction Sub-total</b>	<b>\$1,030,000</b>
Construction Contingency -10%	\$103,000
Engineering	
Design Fees	\$90,410
Other Engineering Fees	\$20,000
Inspection Fees	\$57,200
Legal Fees	\$5,000
Other – Office Furniture/Advertising	<u>\$24,390</u>
<b>Total Project Costs</b>	<b>\$ 1,330,000</b>

### Current and Proposed Water Rates

The rates charged for water sales and non-recurring charges such as tap fees are approved by the Kentucky Public Service Commission. The current approved rates for RWI and proposed rates are shown in Table I.

**Table I**

	Existing Rates	Proposed Rates
<b><u>5/8 inch</u></b>		
first 2000	\$13.90	<b>\$16.00</b> minimum
next 3000	\$5.80	<b>6.10</b> per 1000 gallons
next 10000	\$5.30	<b>5.60</b> per 1000 gallons
next 10000	\$4.90	<b>5.20</b> per 1000 gallons
next 10000	\$4.70	<b>5.10</b> per 1000 gallons
next 15000	\$4.50	<b>4.80</b> per 1000 gallons
over 50000	\$4.30	<b>4.60</b> per 1000 gallons
<b><u>3/4 inch</u></b>		
first 4000	\$25.50	<b>\$28.20</b> minimum
next 1000	\$5.80	<b>6.10</b> per 1000 gallons
next 10000	\$5.30	<b>5.60</b> per 1000 gallons
next 10000	\$4.90	<b>5.20</b> per 1000 gallons
next 10000	\$4.70	<b>5.10</b> per 1000 gallons
next 15000	\$4.50	<b>4.80</b> per 1000 gallons
over 50000	\$4.30	<b>4.60</b> per 1000 gallons
<b><u>1 inch</u></b>		
first 5000	\$31.30	<b>\$34.30</b> minimum
next 10000	\$5.30	<b>5.60</b> per 1000 gallons
next 10000	\$4.90	<b>5.20</b> per 1000 gallons
next 10000	\$4.70	<b>5.10</b> per 1000 gallons
next 15000	\$4.50	<b>4.80</b> per 1000 gallons
over 50000	\$4.30	<b>4.60</b> per 1000 gallons
<b><u>1.5 inch</u></b>		
first 15000	\$84.30	<b>\$90.30</b> minimum
next 10000	\$4.90	<b>5.20</b> per 1000 gallons



next 10000	\$4.70	<b>5.10</b> per 1000 gallons
next 15000	\$4.50	<b>4.80</b> per 1000 gallons
over 50000	\$4.30	<b>4.60</b> per 1000 gallons

**2 inch**

first 25000	\$133.30	<b>\$142.00</b> minimum
next 10000	\$4.70	<b>5.10</b> per 1000 gallons
next 15000	\$4.50	<b>4.80</b> per 1000 gallons
over 50000	\$4.30	<b>4.60</b> per 1000 gallons

**Wholesale**

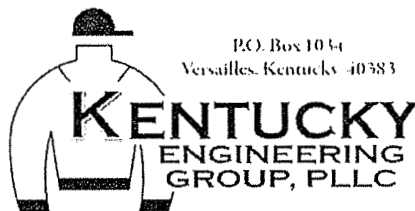
Fleming County	\$1.75	<b>\$2.00</b> Per 1000 gallons
City of Olive Hill	\$1.75	<b>\$2.00</b> Per 1000 gallons



**Final Engineering Report  
Rowan Water, Inc.**

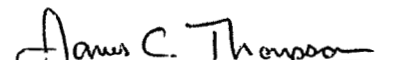
**US 60/Park Hills Water Line Replacement, Storage Tank  
Improvements, and Maintenance Building Modifications**

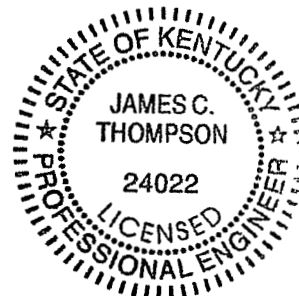
**prepared by:**



**859.351.9849**

**Submitted By:**

  
**James C. Thompson, P.E.**  
**Project Engineer**





# **ROWAN WATER, INC.**

## **Final Engineering Report US 60/Park Hills Water Line Replacement, Storage Tank Improvements, and Maintenance Building Modifications**

### **Purpose**

Rowan Water, Inc. (RWI) is proposing to replace approximately three miles of water line along US 60 in the Haldeman area of the county. The existing line is a 6 inch asbestos concrete pipe that does not carry the volume of water that is required by the customers served by this line. Also to be replaced is approximately 4,000 linear feet of existing 2 inch line in the Park Hills area. This line will be replaced with a six and four inch water line again, to provide the volume of water necessary to serve the customers on this line.

In the spring of 2010, the Rowan Water, Inc. office located in downtown Morehead was flooded. The staff that works at that office had to re-locate to the maintenance building located at Christy Creek while cleaning and renovations were undertaken at the Hargis Avenue office. Rowan Water wants to make modifications at the maintenance building to construct more efficient/functional office space and move the staff permanently from the Hargis Avenue location.

It was originally proposed to make improvements to two of the system's storage tanks. This item has been deleted from the project scope. Further information is detailed in the conclusion and recommendation section of this report.

Project mapping showing the proposed locations of the new water lines and the maintenance building modifications is attached to this Report as Appendix A.

### **Project Planning Area**

The project areas area is located along US60 in the Haldeman area near the Carter County line and the Park Hills Subdivision off of Route 32.

According to the Kentucky State Data Center, Rowan County's population grew from 1980 to 1990 by almost seven percent. The 2000 population is almost 8.5 percent higher than the 1990 population. The Data Center's 2009 population estimate for Rowan County is 22,872 and has projections through the year 2050. The population in Rowan County is projected to continue to grow 21 percent from the 2009 estimate to the year 2050 projection of 27,773.

From 1987 through 1996, RWI's customer base grew from 2,022 customers to 4,249. As of the August 2010 billing, the number of customers had increased to 6,774. The majority of the customers 6,684 are residential with the balance of 90 being commercial customers.

Rowan Water has two wholesale customers, Fleming County Water Association and the City of Olive Hill.



## Existing Facilities

RWI has a contract to purchase water from the Morehead Utility Plant Board (MUPB). The contract allows RWI to purchase up to 30 percent of the capacity of the current water treatment plant. The MUPB water treatment plant and storage/transmission system was upgraded in the early part of this decade increasing the plant capacity to 8.5 MGD. RWI's allocated portion of this plant is 30 percent or 2.7 MGD. RWI averages 1.6 MGD. The contract was signed in February 2001 and is valid for a period of 40 years. RWI sells water to two water systems; the Fleming County Water Association which purchases approximately 500,000 gallons per month and the City of Olive Hill, which purchases an average of 80,000 gallon per month.

## Need for Project

The water line needs to be upsized to provide sufficient volume for the number of customers connected to the line along US 60 and in the Park Hills Subdivision. The line extension is proposed because the potential customers need a safe reliable source of water.

The expansion/renovation of the maintenance building will enable Rowan Water to offer a flood free work place for its staff and ensure continued operation to the public in the event of a flood in Morehead/Rowan County.

## Alternatives Considered

For the US 60 and Park Hills water line replacement the main alternative considered was to install a second water line to provide additional volume but not take out the existing AC line. This was not chosen because it would result in a very complicated construction process and future maintenance.

For the line extension along Upper Craney, the only viable alternative considered was the "no action" alternative. This would not provide a safe reliable source of water to the residents in this area.

The alternative considered to the maintenance building was to not take any action. By doing this Rowan Water would have to respond to a flooding situation when it occurs in the future.

## Proposed Project

The as-bid budget for this project is as follows:

### Construction Cost

Water Line Replacement & Extension (amount after initial change order)	\$674,999.40
Maintenance Building Modifications	<u>\$465,816.00</u>
<b>Construction Sub-total</b>	<b>\$1,140,816</b>



Construction Contingency -9.8%	\$112,364
Engineering	
Design Fees	\$99,030
Other Engineering Fees	\$10,000
Inspection Fees	\$62,290
Legal Fees	<u>\$5,500</u>
<b>Total Project Costs</b>	<b>\$ 1,430,000</b>

### Current and Proposed Water Rates

The rates charged for water sales and non-recurring charges such as tap fees have to be approved by the Kentucky Public Service Commission. The current approved rates for RWI and proposed rates are shown in Table I. The rates proposed are different than the rates proposed in the Preliminary Engineering Report/Summary Addendum. Since the time the PER was completed, an analysis of more current financial information showed a need for rates above the October 2010 proposed rates – the date the Summary Addendum was completed and submitted to Rural Development.

**Table I**

	Existing Rates	Proposed Rates
<b><u>5/8 inch</u></b>		
first 2000	\$13.90	<b>\$18.40</b> minimum
next 3000	\$5.80	<b>6.50</b> per 1000 gallons
next 10000	\$5.30	<b>6.00</b> per 1000 gallons
next 10000	\$4.90	<b>5.85</b> per 1000 gallons
next 10000	\$4.70	<b>5.50</b> per 1000 gallons
next 15000	\$4.50	<b>5.20</b> per 1000 gallons
over 50000	\$4.30	<b>5.00</b> per 1000 gallons
<b><u>3/4 inch</u></b>		
first 4000	\$25.50	<b>\$31.40</b> minimum
next 1000	\$5.80	<b>6.50</b> per 1000 gallons
next 10000	\$5.30	<b>6.00</b> per 1000 gallons
next 10000	\$4.90	<b>5.85</b> per 1000 gallons
next 10000	\$4.70	<b>5.50</b> per 1000 gallons
next 15000	\$4.50	<b>5.20</b> per 1000 gallons
over 50000	\$4.30	<b>5.00</b> per 1000 gallons
<b><u>1 inch</u></b>		
first 5000	\$31.30	<b>\$37.90</b> minimum
next 10000	\$5.30	<b>6.00</b> per 1000 gallons
next 10000	\$4.90	<b>5.85</b> per 1000 gallons
next 10000	\$4.70	<b>5.50</b> per 1000 gallons
next 15000	\$4.50	<b>5.20</b> per 1000 gallons
over 50000	\$4.30	<b>5.00</b> per 1000 gallons



**1.5 inch**

first 15000	\$84.30	<b>\$97.90</b> minimum
next 10000	\$4.90	<b>5.85</b> per 1000 gallons
next 10000	\$4.70	<b>5.50</b> per 1000 gallons
next 15000	\$4.50	<b>5.20</b> per 1000 gallons
over 50000	\$4.30	<b>5.00</b> per 1000 gallons

**2 inch**

first 25000	\$133.30	<b>\$156.40</b> minimum
next 10000	\$4.70	<b>5.50</b> per 1000 gallons
next 15000	\$4.50	<b>5.20</b> per 1000 gallons
over 50000	\$4.30	<b>5.00</b> per 1000 gallons

**Wholesale**

Fleming County	\$1.75	<b>\$2.00</b> Per 1000 gallons
City of Olive Hill	\$1.75	<b>\$2.00</b> Per 1000 gallons

**Conclusions and Recommendations**

The project was divided into three separate contracts, Contract 3 – US60/Park Hills Water Line Replacement, Contract 4 – Frank Johnson & 3-C Trail Water Storage Tank Rehabilitation, and Contract 5 – KY 32 Administrative Building Addition. The total of the low bids for these three contracts exceeds the budget initially for construction.

There was only one bidder on the tank work. It is the recommendation of Kentucky Engineering Group after discussion with Rowan Water to drop the tank renovation at this time from the scope of the project. If funds remain toward the end of the project, then they would like to consider obtaining quotes for the cleaning and sealing of the glass lined tank only.

Although the bid for the building addition is higher than the engineer's estimate we feel that this is a good bid and the contractor with the low bid is the contractor that constructed the original building for Rowan Water. Kentucky Engineering Group has experience with this contractor and will recommend award of the contract to Pack's Incorporated for \$465,816.00.

The low bidder on the line work was BP Pipeline at \$598,951.00. However, BP Pipeline indicated that they made an error in their bid and wanted to withdraw their bid. Based on past experience with contractors that have made mistakes but not allowed to withdraw Kentucky Engineering Group decided it would be best to allow BP Pipeline to withdraw its bid. The second low bidder is Emmitt Caskey, Inc. with a bid of \$742,606.58. Based on communication with Rowan Water and Emmitt Caskey we believe that we can reduce unit prices to get the price for this contract down to \$674,999.50. At the time of contract signing a change order will be executed with Emmitt Caskey, Inc. to bring his contract amount



down to \$674,999.50. There are approximately 6 total prospective customers on the Upper Craney line.

Rowan Water will need to borrow an additional \$100,000 in order to do the two contracts for the building and water lines and have sufficient funds available at the start of construction in the contingency line item. By borrowing an additional \$100,000 Rowan Water would be in a good position to have sufficient funds available towards the end of the project to undertake the sealing and installation of mixing device in the glassed line water storage tank. The rates proposed above can absorb the \$100,000 without needing to be increased further.



## PROPOSED RATE CHANGE

### PUBLIC NOTICE

Rowan Water, Inc. has filed a proposed rate schedule that will change and increase the rate charged to its customers.

#### CURRENT RATES:

##### 5/8 Inch Meter

First 2000 Gallons -	\$13.80	Minimum
Next 3000 Gallons -	\$5.80	per 1000 Gallons
Next 10,000 Gallons -	\$5.30	per 1000 Gallons
Next 10,000 Gallons -	\$4.90	per 1000 Gallons
Next 10,000 Gallons -	\$4.70	per 1000 Gallons
Next 15,000 Gallons -	\$4.50	per 1000 Gallons
Over 50,000 Gallons -	\$4.30	Per 1000 Gallons

##### ¾ Inch Meter

First 4000 Gallons -	\$25.50	Minimum
Next 1000 Gallons -	\$5.80	per 1000 Gallons
Next 10,000 Gallons -	\$5.30	per 1000 Gallons
Next 10,000 Gallons -	\$4.90	per 1000 Gallons
Next 10,000 Gallons -	\$4.70	per 1000 Gallons
Next 15,000 Gallons -	\$4.50	per 1000 Gallons
Over 50,000 Gallons -	\$4.30	per 1000 Gallons

##### 1 Inch Meter

First 5000 Gallons -	\$31.30	Minimum
Next 10,000 Gallons -	\$5.30	per 1000 Gallons
Next 10,000 Gallons -	\$4.90	per 1000 Gallons
Next 10,000 Gallons -	\$4.70	per 1000 Gallons
Next 15,000 Gallons -	\$4.50	per 1000 Gallons
Over 50,000 Gallons -	\$4.30	per 1000 Gallons

##### 1.5 Inch Meter

First 15,000 Gallons -	\$84.30	Minimum
Next 10,000 Gallons -	\$4.90	per 1000 Gallons
Next 10,000 Gallons -	\$4.70	per 1000 Gallons
Next 15,000 Gallons -	\$4.50	per 1000 Gallons
Over 50,000 Gallons -	\$4.30	per 1000 Gallons

##### 2 Inch Meter

First 25,000 Gallons -	\$133.30	Minimum
Next 10,000 Gallons -	\$4.70	per 1000 Gallons
Next 15,000 Gallons -	\$4.50	per 1000 Gallons
Over 50,000 Gallons -	\$4.30	per 1000 Gallons



Rowan Water Inc. proposes to increase rates for water service as follows effective 06/21/12 insert date  
30 days from filing date).

**PROPOSED RATES:**

**5/8 Inch Meter**

First 2000 Gallons -	\$18.40	Minimum
Next 3000 Gallons -	\$6.50	per 1000 Gallons
Next 10,000 Gallons -	\$6.00	per 1000 Gallons
Next 10,000 Gallons -	\$5.85	per 1000 Gallons
Next 10,000 Gallons -	\$5.50	per 1000 Gallons
Next 15,000 Gallons -	\$5.20	per 1000 Gallons
Over 50,000 Gallons -	\$5.00	per 1000 Gallons

**¾ Inch Meter**

First 4000 Gallons -	\$31.40	Minimum
Next 1000 Gallons -	\$6.50	per 1000 Gallons
Next 10,000 Gallons -	\$6.00	per 1000 Gallons
Next 10,000 Gallons -	\$5.85	per 1000 Gallons
Next 10,000 Gallons -	\$5.50	per 1000 Gallons
Next 15,000 Gallons -	\$5.20	per 1000 Gallons
Over 50,000 Gallons -	\$5.00	per 1000 Gallons

**1 Inch Meter**

First 5000 Gallons -	\$37.90	Minimum
Next 10,000 Gallons -	\$6.00	per 1000 Gallons
Next 10,000 Gallons -	\$5.85	per 1000 Gallons
Next 10,000 Gallons -	\$5.50	per 1000 Gallons
Next 15,000 Gallons -	\$5.20	per 1000 Gallons
Over 50,000 Gallons -	\$5.00	per 1000 Gallons

**1.5 Inch Meter**

First 15,000 Gallons -	\$97.90	Minimum
Next 10,000 Gallons -	\$5.85	per 1000 Gallons
Next 10,000 Gallons -	\$5.50	per 1000 Gallons
Next 15,000 Gallons -	\$5.20	per 1000 Gallons
Over 50,000 Gallons -	\$5.00	per 1000 Gallons

**2 Inch Meter**

First 25,000 Gallons -	\$156.40	Minimum
Next 10,000 Gallons -	\$5.50	per 1000 Gallons
Next 15,000 Gallons -	\$5.20	per 1000 Gallons
Over 50,000 Gallons -	\$5.00	per 1000 Gallons

The rate contained in this notice is the rate proposed by Rowan Water, Inc. The Kentucky Public Service Commission, however, may order rates to be charged that differ from the proposed rates



contained in this notice.

Any corporation, association, or person with a substantial interest in the matter may, by written request, within thirty (30) days after publication or mailing of this notice of the proposed rate changes request to intervene. Intervention may be granted beyond the thirty (30) day period for good cause shown.

Any person who has been granted intervention by the Public Service Commission may obtain copies of the rate schedule and any other filings made by Rowan Water, Inc. by contracting Jerry Patrick, Manager, Rowan Water, Inc., 110 Hargis Avenue, Morehead KY 40351, 606-784-9818.

Any person may examine Rowan Water's rate schedule and any other filings at its main office at 110 Hargis Avenue, Morehead, Kentucky or at the Public Service Commission's Offices at 221 Sower Blvd., Frankfort Kentucky 40602.