

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE FILING OF) CASE NO. 2013-00485
FARMDALE WATER DISTRICT)

ORDER

On January 2, 2014, Farmdale Water District ("Farmdale District") applied for approval to adjust its rates for water service and to adjust certain non-recurring charges. It subsequently supplemented its application, and its application was accepted as filed effective February 10, 2014. Finding that a procedural schedule should be established to ensure the orderly review of Farmdale District's application, the Commission HEREBY ORDERS that:

1. a. Farmdale District shall file responses to the questions asked in the attached Appendix within 14 days of the date of this Order. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and five copies to the Commission.

b. Each response shall be 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 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.

c. A party 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.

d. For any request to which a party fails to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. The party responding to a request for information shall serve an original and a copy on the Commission and serve a copy upon all parties of record.

2. No later than May 30, 2014, Commission Staff shall file with the Commission and serve upon all parties of record a written report containing its findings and recommendations regarding Farmdale District's requested rate adjustment.

3. The parties shall file with the Commission their written comments on and any objections to the findings and recommendations contained in the Commission Staff Report no later than June 16, 2014, or 14 days after the date of the filing of the Commission Staff Report, whichever occurs earlier. Any party may file with such submission any additional evidence for the Commission's consideration.

4. A party's failure to file written objections to a finding or recommendation contained in the Commission Staff Report by June 16, 2014, or 14 days after the date of the filing of the Commission Staff Report, whichever occurs earlier, shall be deemed as agreement with that finding or recommendation.

5. No later than June 16, 2014, or 14 days after the date of the filing of the Commission Staff Report, whichever occurs earlier, each party shall notify the Commission in writing whether this matter may be submitted for decision based upon the existing record without hearing.

6. Unless all parties request that this matter be submitted for decision upon the existing record, an informal conference shall be held in this matter on Monday, June 23, 2014, at 10:00 a.m. Eastern Daylight Time, at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky.

7. Unless all parties request that this matter be submitted for decision upon the existing record, a formal hearing in this matter shall be held at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, at a date and time to be announced in a subsequent Order.

8. The acceptance of the findings and recommendations contained in the Commission Staff Report by all parties shall not preclude the Commission from conducting a hearing on the application, taking evidence on Farmdale District's financial operations, or ordering rates that differ from or conflict with the findings and recommendations contained in the Commission Staff Report.

9. Each party shall file with the Commission no later than June 30, 2014, a list of the persons it intends to call as witnesses at the scheduled hearing and a summary of each witness's testimony.

10. Farmdale District shall publish notice of the scheduled hearing in accordance with 807 KAR 5:076, Section 12, no more than 21 days and no less than seven days before the day of the scheduled hearing.

11. At any hearing in this matter, neither opening statements nor summarization of written testimony shall be permitted.

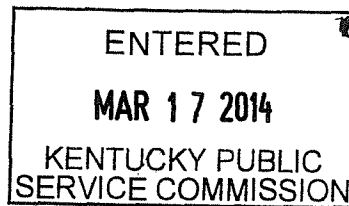
12. Pursuant to KRS 278.360, the record of the formal hearing in this matter shall be by video only.

13. Commission Staff shall make a written exhibit list and shall file this list with the Commission, with all exhibits entered into evidence at the hearing and a copy of the video transcript of the hearing.

14. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

15. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00485 DATED **MAR 17 2014**

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION TO
FARMDALE WATER DISTRICT

1. Provide the minutes of each meeting of Farmdale District's Board of Commissioners in which the proposed revision to meter connection charges and the cutoff and reconnection fee was discussed.
2. Provide the resolution of Farmdale District's Board of Commissioners in which the proposed revision to meter connection charges and the cutoff and reconnection fee was approved or, if no resolution was separately prepared, the minutes of the meeting of Farmdale District's Board of Commissioners in which the proposed rates were approved.
3. List separately for each calendar year from January 1, 2011, through December 31, 2013, the total number of Farmdale District's:
 - a. New 5/8-inch x 3/4-inch meter connections;
 - b. New 1-inch meter connections; and
 - c. New larger meter connections.
4. State the number of spare meters that Farmdale District has in its inventory as of December 31, 2013.
5. State the number of meters that Farmdale District seeks to maintain in its inventory.
6. State the number of meters that Farmdale District purchases when it orders 5/8-inch x 3/4-inch meters.

7. For each of Farmdale District's last five purchases of 5/8-inch x 3/4-inch meters, state the date the order was made, the vendor, and the number of meters purchased.

8. Identify by name and address each vendor from whom Farmdale District solicited a bid or estimate regarding meters in the course of preparing its proposed rate revision. Provide a copy of any documentation supporting the water meter cost listed on the Average Meter Connection Expense Cost Justification form ("Application"), Section B.

9. State whether, in Farmdale District's opinion and experience, the cost per unit for meters is less when the purchase order is for a number of meters rather than one meter.

10. Identify by name and address each vendor from whom Farmdale District solicited a bid or estimate regarding meter-setting materials in the course of preparing its Application. Provide a copy of any documentation supporting the costs listed on the Application, Section B.

11. Describe how Farmdale District determined the number of hours of labor required for installing a meter.

12. For each meter installation performed from January 1, 2011, through December 31, 2013, state the meter size, type of service (short-side or long-side), and the number of hours required for the installation.

13. List all activities performed in installation labor expense for both short-side and long-side service and the amount of time for each activity. Explain how Farmdale District determined the amount of time for each activity.

14. In its calculation of Installation Labor Expense, Farmdale District assumes an hourly wage rate of \$25.50.

- a. Explain how this rate was determined.
- b. State the number of Farmdale District employees whose primary duties include the installation of water meters.
- c. State the hourly wage rate of each current Farmdale District employee whose primary duties include the installation of water meters.
- d. State whether the hourly wage rates provided in response to Item 14(c) includes any of the following: employer Social Security tax, employer Medicare tax, employer retirement plan contribution, workers' compensation insurance, sick leave pay, annual leave pay, or employer health insurance contribution.

15. In its calculation of Installation Equipment Expense, Farmdale District assumes an hourly wage rate of \$75.00.

- a. Explain how this rate was determined.
- b. List each type of equipment that is included in Installation Equipment Expense.
- c. For each type of equipment listed in response to Item 15(b), state whether it is used for both types of service (i.e., short-side or long-side). If not used for both types, identify the type of service for which the equipment is used.
- d. For each type of equipment listed in response to Item 15(b), state whether Farmdale District owns such equipment. If Farmdale District owns any equipment identified in response to Item 15(b), identify the year of acquisition and the acquisition cost.

16. Explain how Farmdale District determined the amount of time for Installation Equipment Expense. Provide all records and show all calculations that Farmdale District utilized in making its determination.

17. To the extent that Installation Equipment Expense involves the rental of equipment, identify all suppliers from whom Farmdale District has rented equipment for installing meters during the period January 1, 2011, through December 31, 2013, and provide a copy of the rental agreements.

18. Identify all persons from whom Farmdale District solicited a bid or estimate regarding equipment rental listed in response to Item 15(b) in the course of preparing its proposed rates.

19. Refer to the 5/8-inch x 3/4-inch Average Meter Connection Expense Cost Justification, Section F and Section G. Explain why these two sections were left blank.

20. List all activities included in the administrative expense of \$12.50 and the amount of time that each activity takes. Explain how Farmdale District determined the amount of time for each activity.

21. Show all calculations that Farmdale District used to develop its estimate for administrative expense.

22. Refer to the Nonrecurring Charge Cost Justification for the Cutoff and Reconnection Fee.

a. In Section 1, Field Expense, Farmdale District assumes an hourly wage rate of \$15.50. Explain how this rate was determined and how the 3/4 hour was calculated.

b. State the number of Farmdale District employees whose primary duties include the cutoff and reconnection of water meters.

c. State the hourly wage rate of each current Farmdale District employee whose primary duties include the cutoff and reconnection of water meters.

d. State whether the hourly wage rates provided in response to Item 22(a) includes any of the following: employer Social Security tax, employer Medicare tax, employer retirement plan contribution, workers' compensation insurance, sick leave pay, annual leave pay, or employer health insurance contribution.

e. In Section 2, Clerical and Office Expense, there is a Supplies amount of \$5.23. Provide a detailed explanation as to the items in this expense.

f. In Section 2, Clerical and Office Expense, Labor, Farmdale District assumes an hourly wage rate of \$12.50. Explain how this rate was determined and how the three hours was calculated.

g. State the number of Farmdale District employees whose primary duties include the processing of cutoff and reconnection of water meters work orders.

h. State the hourly wage rate of each current Farmdale District employee whose primary duties include the cutoff and reconnection of water meters work orders.

i. State whether the \$12.50 hourly wage rate referenced in response to Item 22(f) includes any of the following: employer Social Security tax, employer Medicare tax, employer retirement plan contribution, workers' compensation insurance, sick leave pay, annual leave pay, or employer health insurance contribution.

j. In Section 3, Miscellaneous Expense, Transportation, Farmdale District states an expense of \$5.65 (ten miles at \$0.565). Explain how the rate of \$0.565 was determined to be appropriate and explain how ten miles was determined to be the appropriate mileage.

23. Refer to the Tariff, Sheet No. 6. In Section D, the tariff currently states that the non-recurring charge for connection/turn-on is \$7.50, and a reconnection charge is \$15.00. Explain why an increase for reconnection is being sought, but not for a connection/turn-on charge.

24. Refer to Average Meter Connection Expense Cost Justification, Section B, Materials Expense, 5, Miscellaneous Fittings for 5/8-inch x 3/4-inch meters. Provide an explanation of the fittings involved and include the invoice that denotes the cost of each element totaling up to \$177.

25. Refer to Average Meter Connection Expense Cost Justification, Section B, Materials Expense, 6, Other (itemize), for 5/8-inch x 3/4-inch meters. "Raido" appears on the second line. Explain the meaning of this item.

26. Provide invoices of all material expenses involved.

27. Refer to Average Meter Connection Expense Cost Justification, Section D, Installation Labor Expense, 2, Long Side Service for 5/8-inch x 3/4-inch meters.

a. The product of 16 times \$25.50 is \$408, not \$308. Recalculate the entire justification to accommodate this.

b. Justify the 16 total hours for long-side service.

28. Refer to Average Meter Connection Expense Cost Justification, Section E, Installation Equipment Expense, Backhoe, 2, long-side service for 5/8-inch x 3/4-inch meters. Justify the 16 total hours for long-side service.

Clifford Toles
Chairman
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