

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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APR 9 2014

PUBLIC SERVICE
COMMISSION

In the Matter of:

THE APPLICATION OF U.S.60 WATER }
DISTRICT OF SHELBY AND FRANKLIN }
COUNTIES, KENTUCKY, INC. FOR NEW }
NONRECURRING CHARGES AND AN }
INCREASE IN EXISTING NONRECURRING }
CHARGES }


CASE NO. 2014-00039

ANSWERS TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

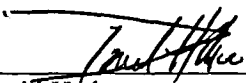
Comes U.S. 60 Water District of Shelby and Franklin Counties, Kentucky ("U.S. 60"), by counsel, and respectfully submits the following Answers to Commission Staff's First Request for Information.

Respectfully submitted,

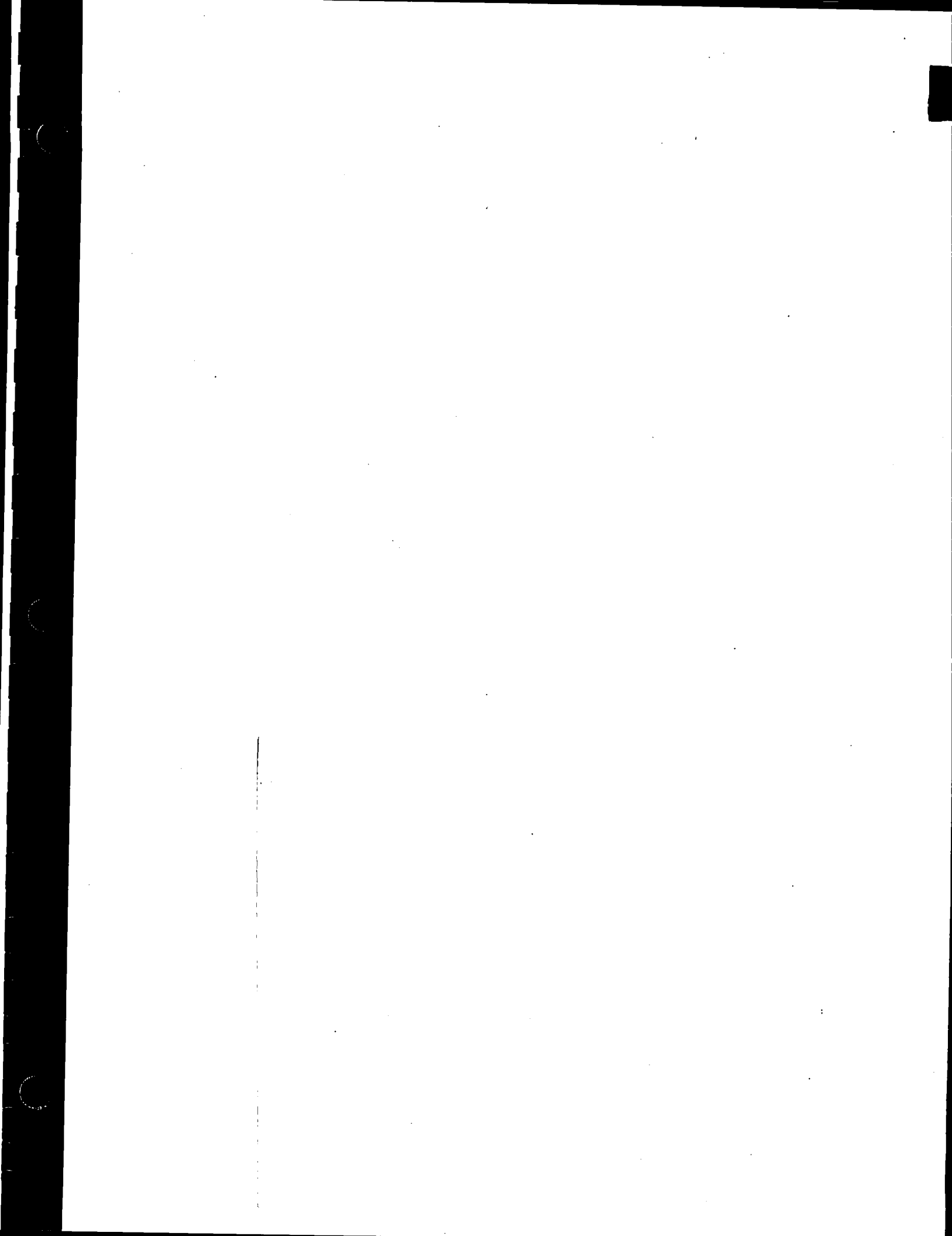
Mathis, Riggs, Prather & Ratliff, P.S.C.

By:  _____
Donald T. Prather
500 Main Street, Suite 5
Shelbyville, Kentucky 40065
Phone: (502) 633-5220
Fax: (502) 633-0667

I, the undersigned David Hedges, being the Manager of U.S. 60 Water District of Shelby and Franklin Counties, Kentucky, certify that the Answers contained herein are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.

 _____
David Hedges
4-09-14

Date



1. Provide the minutes of each meeting of U.S. 60's Board of Commissioners in which the proposed rate revision was discussed.

Response: The minutes of the December 2013, January 2014 and February 2014 minutes are attached.

Responsible Witness:

William Eggen or David Hedges

U.S. 60 WATER BOARD
Board of Commissioners Meeting
December 10, 2013

The regular meeting of the Board of Commissioners of the U.S. 60 Water District of Shelby and Franklin Counties, Kentucky was held at 7:30 p.m. on December 13, 2013, immediately following the employee Christmas dinner at Claudia Sanders Dinner House, Shelbyville, Kentucky. Present were William Eggen, Chairman; Pat Hargadon, Treasurer; Stephen D. Miller, Secretary; Commissioners Hobart Hearn and John W. Roberts; Pete Hedges, Manager; Jeremy Carmack, Assistant Manager; Sandy Broughman, Engineer; and Donald Prather, Attorney.

The Cash Transactions Report for the various bank accounts for November, including two Transaction Detail by Account lists of the payroll checks and the operation and maintenance checks, respectively, written during November; November bill from North Shelby Water Company; Cash Transaction Spreadsheet for November for the various bank accounts, including the water purchase, sales, loss, and certificate of deposit information; November Balance Sheet; November Profit & Loss Statement; and the November A/R Balance sheet showing accounts receivable adjustments, were either e-mailed or mailed to the Commissioners prior to the meeting. These documents were approved as evidenced by the signed cover sheet attached to these minutes.

Minutes. The November 13, 2013 regular Board meeting minutes were approved.

Treasurer's Report. The Treasurer's report was dispensed with.

Budget. Hedges advised the Commissioners that the District's CPA, Dennis Raisor, has advised him the 2014 budget has been prepared and will be sent to Hedges shortly. Eggen directed Hedges to file the 2014 budget with the Shelby County Judge/Executive before the end of the year.

Non-recurring Charge Increases. Prather presented the Commissioners with a list of proposed increases to the District's non-recurring charges such as the meter tap-on fee. These are identical to the charges for North Shelby Water Company recently approved by PSC. Since North Shelby performs all of the District's administrative and field services, the District's actual cost for these services will be the same as North Shelby's. Upon Motion, duly seconded, the Commissioner's adopted the following new non-recurring charges and directed Prather to promptly file an application with PSC for their approval:

<u>Tap-on Fees</u>	<u>New Rates</u>
5/8" x 3/4" Meter	\$1,000.00
1" Meter	\$1,275.00
Larger Meters	Actual Cost

Nonrecurring Charges

Meter Turn-on Charge	\$40.00
Meter Turn-on Charge (after hours)	\$50.00
Service Line Inspection Charge	\$40.00
Service Line Inspection Charge (after hours)	\$50.00
Delinquent Account Collection Charge	\$40.00
Delinquent Account Collection Charge (after hours)	\$50.00
Meter Reading Recheck Charge	\$40.00
Meter Reading Recheck Charge (after hours)	\$40.00
Meter Test Charge	\$85.00
Meter Test Charge (after hours)	\$92.50
Special Investigation Charge	\$40.00
Special Investigation Charge (after hours)	\$50.00
Meter Investigation Charge	\$40.00
Meter Investigation Charge (after hours)	\$50.00

Radio Read Meters. Prather recommended that the District solicit bids for the new radio read meters which it plans to begin installing over the next several years. This is based upon the advice of Gerry Weutcher, a PSC staff attorney. Upon motion, duly seconded, the Commissioners directed Broughman to advertise and received bids for radio read meter systems including the Sensus I Pearl and Badger systems. Prather stated Weutcher also stated the District did not need to obtain a Certificate of Convenience and Necessity for this process as long as the meters were replaced over three or four years, rather than all at one time.

Commissioner Training. All five Commissioners attended the water district commissioner training session held in Frankfort today by the Public Service Commission.

House Bill 1 - Ethics Rule. Since House Bill 1 makes the Shelby County ethics rules applicable to the District, Hedges is to obtain a copy of the Ethics rule adopted by the Shelby Fiscal Court. The content will be reviewed to see if it applies only to commissioners or also to employees. Once that information is obtained, the Commissioners can decide whether to adopt more stringent rules or extend the existing rules to employees as well as the Commissioners and managers.

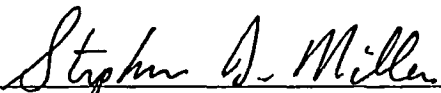
House Bill 1 - Registration. Hedges reported he has already registered the District with the Department of Local Government as required by House Bill 1.

Red Flag Rule. Prather inquired whether the District has adopted guidelines to minimize the possibility of customer identity theft, commonly known as the Red Flag Rule. Hedges does not believe this has occurred. Prather will provide the Commissioners with a proposed policy.

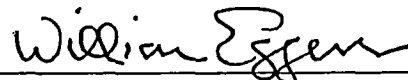
There being no further business and upon motion duly seconded, the meeting was adjourned.

The next meeting will be Tuesday, January 21, 2014 at 6:30 p.m.

Respectfully Submitted,



Stephen D. Miller, Secretary



William Eggen, Chairman

US 60 Water District
PO Box 97
Bagdad, KY 40003

1-800-870-4148
(502) 747-8942
Fax: (502) 747-5048

We, US 60 Board of Directors, approve all attached documents for the month of November
year 2013.

Transaction Detail by Account:

Payroll checks \$ 3004.01
O & M checks \$ 31,615.15

Monthly bill from North Shelby Water Company:

\$ 19,220.12

Cash Transactions spreadsheet, pages 1 and 2

Balance Sheet

Profit and Loss Statement

Monthly Adjustments (A/R Balance Sheet)

x William Eggen

x Robert C. Plouffe

x John Roberts

x Patty

x Stephen D. Miller

U.S. 60 WATER BOARD
Board of Commissioners Meeting
January 27, 2014

The regular meeting of the Board of Commissioners of the U.S. 60 Water District of Shelby and Franklin Counties, Kentucky was held at 6:30 p.m. on January 27, 2014 at the district office. Present were William Eggen, Chairman; Pat Hargadon, Treasurer; Stephen D. Miller, Secretary; Commissioners Hobart Hearn and John W. Roberts; Pete Hedges, Manager; Sandy Broughman, Engineer; and Donald Prather, Attorney. Jeremy Carmack, Assistant Manager was absent.

The Cash Transactions Report for the various bank accounts for December, including two Transaction Detail by Account lists of the payroll checks and the operation and maintenance checks, respectively, written during December; December bill from North Shelby Water Company; Cash Transaction Spreadsheet for December for the various bank accounts, including the water purchase, sales, loss, and certificate of deposit information; December Balance Sheet; December Profit & Loss Statement; and the November A/R Balance sheet showing accounts receivable adjustments, were either e-mailed or mailed to the Commissioners prior to the meeting. These documents were approved as evidenced by the signed cover sheet attached to these minutes.

Minutes. The December 10, 2013 regular Board meeting minutes were approved.

Treasurer's Report. Hargadon presented the Treasurer's Report. The water report for December is as follows:

Bought:	11,431,600 gallons
Sold:	11,399,300 gallons
Leaks:	0 gallons
Flushing:	98,600 gallons
Fire Department:	18,600 gallons
Total Water Loss:	-1%

There was discussion regarding two certificates of deposit presently at Citizens Union Bank which have or will mature. One matured on January 19, 2014, but is still within the grace period. The other will mature on February 28, 2014. The combined amounts of these two certificates of deposit is around \$367,000. The District will be contributing \$400,000 to the construction of the new Peytona tank. While it is not likely the District's money will be needed quickly, there is some benefit to keeping all or a portion of this money readily available. Accordingly, Hargadon will investigate available interest rates on short-term certificates of deposit and interest rates on liquid certificates of deposit or other readily available interest-bearing accounts. If the rates are similar, all or part of the money will be placed in the more readily available accounts.

After discussion, upon motion duly seconded, the Treasurer's Report was approved.

William Eggen Reappointment. It was announced Shelby County Judge/Executive Rob Rothenberger had prior to the meeting administered the constitutional oath of office to William Eggen due to his reappointment as a Commissioner.

New Peytona Tank. Broughman reported the encroachment permit for the bore under US Highway 60 has been received and provided to Prather. Broughman is still waiting on the approval letter from the Division of Water, but has been promised it will be ready next week. Due to the delay in obtaining these documents, as well as the deed to the tank site, Broughman requested the successful bidders extend their bid expiration dates so their bids are still valid.

Prather discussed the additional items other than the DOW approval letter which he still needs in order to file the application with the Public Service Commission for the required Certificate of Convenience and Necessity. The first item is the deed from Shelby County for the tank site. The only thing holding that deed up is a determination of where the electric service to the tank will come from, and then showing the required electric utility easement on the plat which will be attached to the deed. It is believed that the tank site is in the service territory of the Frankfort Electric Water & Plant Board. Broughman is to contact the Plant Board immediately to determine the best service option which will dictate where the electric easement should be placed. As soon as this information is available, he is to communicate it to the surveyor, Larry Tingle, who is ready to make the final change to the plat. Prather will then take the deed, which has already been prepared, and the revised plat to Shelby County Judge/Executive Rothenberger to be signed.

Prather also needs the District's formal email address which Hedges will provide to him. The last items of information needed for the application are the interest rate and amount of interest paid last year on each of the District's bonds or notes. Prather will email Dennis Raisor to obtain this information.

Priority Projects - 2014. Broughman suggested the following projects be listed as the District's highest construction priority for 2014: Buzzard Roost Road in Shelby County; Crab Orchard loop in Franklin County; and Murphy Lane loop in Spencer County.

Frankfort Rate Increase. Broughman informed the Commissioners Frankfort has began a cost of service study in preparation for a water rate increase, which will likely include wholesale rates to the District.

Plat. Broughman presented a proposed plat for property owned by G&G, LLC on US 151 in Franklin County. There isn't a water main in front of the property at this time. The property lies approximately .2 mile south of the District's water main on US Highway 60 and approximately .2 mile from US 60's water main on Crab Orchard Road. After discussion, and consistent with the District's longstanding policy that a water main must be located on the road frontage of property in order to receive service, the Commissioners

voted to require the property owner to extend a water main to the properties to be served at the property owner's expense. The District will pay the required 50-foot contribution for each new customer.

Non-recurring Charge Increases. Prather reported he has had difficulty obtaining all of the cost justification worksheets from North Shelby Water Company's non-recurring charge increase case last year, which he is using for the District's case. The missing sheets were recently obtained from North Shelby's engineer. Prather hopes to submit the case to the PSC this week or next week.

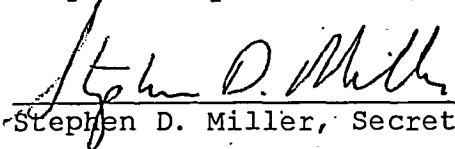
Emergency Water Supply Source. Hargadon commented that the recent water emergency situation in West Virginia due to a chemical spill had prompted him to inquire about the District's ability to obtain water from another source in the event the Kentucky River, from which Frankfort draws its water, becomes contaminated. Hedges and Broughman responded that the only viable alternate support source would be Shelbyville, and although the District presently has a connection with Shelbyville, the water main making that connection is too small to allow very much water to be obtained from Shelbyville. Additionally, only a few of the District's customers can be served by gravity flow from Shelbyville because of Shelbyville's relatively low water pressure, so a pump station would have to be installed in order to purchase a meaningful amount of water at an acceptable pressure.

The Commissioners then discussed improvements to the District's and Shelbyville's system which would be required for the District to use Shelbyville as a second source of water in higher volumes than currently possible, especially in an emergency situation. The Commissioners directed Broughman and Hedges to investigate the situation and provide additional information and/or suggestions to the Board at its next meeting.

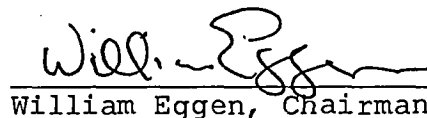
There being no further business and upon motion duly seconded, the meeting was adjourned.

The next meeting will be Tuesday, February 18, 2014 at 6:30 p.m.

Respectfully Submitted,



Stephen D. Miller, Secretary



William Eggen, Chairman

US 60 Water District
PO Box 97
Bagdad, KY 40003

1-800-870-4148
(502) 747-8942
Fax: (502) 747-5048

We, US 60 Board of Directors, approve all attached documents for the month of December 2013
year _____.

Transaction Detail by Account:

Payroll checks \$ 1343.23

O & M checks \$ 47,071.16

Monthly bill from North Shelby Water Company:

\$ 18,637.30

Cash Transactions spreadsheet, pages 1 and 2

Balance Sheet

Profit and Loss Statement

Monthly Adjustments (A/R Balance Sheet)

x William Eggen

x Stephen D. Miller

x Pat W.

x Robert Pearce

x John Robert

U.S. 60 WATER BOARD
Board of Commissioners Meeting
February 18, 2014

The regular meeting of the Board of Commissioners of the U.S. 60 Water District of Shelby and Franklin Counties, Kentucky was held at 6:30 p.m. on February 18, 2014 at the district office. Present were William Eggen, Chairman; Pat Hargadon, Treasurer; Stephen D. Miller, Secretary; Commissioners Hobart Hearn and John W. Roberts; Pete Hedges, Manager; Jeremy Carmack, Assistant Manager; Sandy Broughman, Engineer; and Donald Prather, Attorney.

The Cash Transactions Report for the various bank accounts for January, including two Transaction Detail by Account lists of the payroll checks and the operation and maintenance checks, respectively, written during January; January bill from North Shelby Water Company; Cash Transaction Spreadsheet for January for the various bank accounts, including the water purchase, sales, loss, and certificate of deposit information; January Balance Sheet; January Profit & Loss Statement; and the January A/R Balance sheet showing accounts receivable adjustments, were either e-mailed or mailed to the Commissioners prior to the meeting. These documents were approved as evidenced by the signed cover sheet attached to these minutes.

Minutes. The January 27, 2014 regular Board meeting minutes were approved.

Treasurer's Report. Hargadon presented the Treasurer's Report. The water report for January is as follows:

Bought:	12,972,600 gallons
Sold:	10,449,400 gallons
Leaks:	762,500 gallons
Flushing:	1,110,580 gallons
Fire Department:	56,800 gallons
Total Water Loss:	3%

Hargadon reported the two certificates of deposit which matured have been rolled over into liquid certificates of deposit.

After discussion, upon motion duly seconded, the Treasurer's Report was approved.

Non-Recurring Charge Increases. Prather reported he and Hedges appeared in front of Shelby Fiscal Court to provide the testimony required by House Bill 1 regarding these increases. There were not very many questions. The only significant question was how the new rates would compare with rates of surrounding water suppliers. Prather and Hedges stated that the tap-on fees for most, if not all, of the surrounding utilities were equal to or greater than those being proposed for US 60. Several are \$1,500, whereas US 60 is only proposing \$1,000.

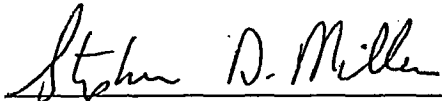
Prather reported the required advertisements in the Shelby, Franklin and Spencer County papers are being run and as soon as they are ready, the case will be submitted to PSC for a decision.

New Peytona Tank. Prather reported there are only two items remaining which he requires to submit the case to PSC for approval. One is the Division of Water approval letter. Broughman stated he expects that by the end of the week. The second is obtaining the deed to the water-tank-site from Shelby Fiscal Court. Prather stated the delay in obtaining that deed is a determination of where the electric utility easement needs to be to provide electric service to the tank. Carmack met with the Frankfort Plant Board, which will provide the electric service, to determine the best location. Carmack commented Frankfort will allow US 60 to install the conduit through which Frankfort will pull the actual electric wires. This should save significant cost in the installation. Prather will contact Shelby County Judge Executive Rothenberger to emphasize US 60 needs the deed as soon as possible.

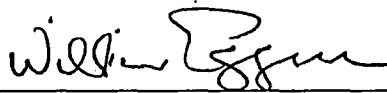
There being no further business and upon motion duly seconded, the meeting was adjourned.

The next meeting will be Tuesday, March 18, 2014 at 6:30 p.m.

Respectfully Submitted,



Stephen D. Miller, Secretary



William Eggen, Chairman

US 60 Water District
PO Box 97
Bagdad, KY 40003

1-800-870-4148
(502) 747-8942
Fax: (502) 747-5048

We, US 60 Board of Directors, approve all attached documents for the month of January
year 2014.

Transaction Detail by Account:

Payroll checks \$ 904.83

O & M checks \$ 32,371.14

Monthly bill from North Shelby Water Company:

\$ 20,769.43

Cash Transactions spreadsheet, pages 1 and 2

Balance Sheet

Profit and Loss Statement

Monthly Adjustments (A/R Balance Sheet)

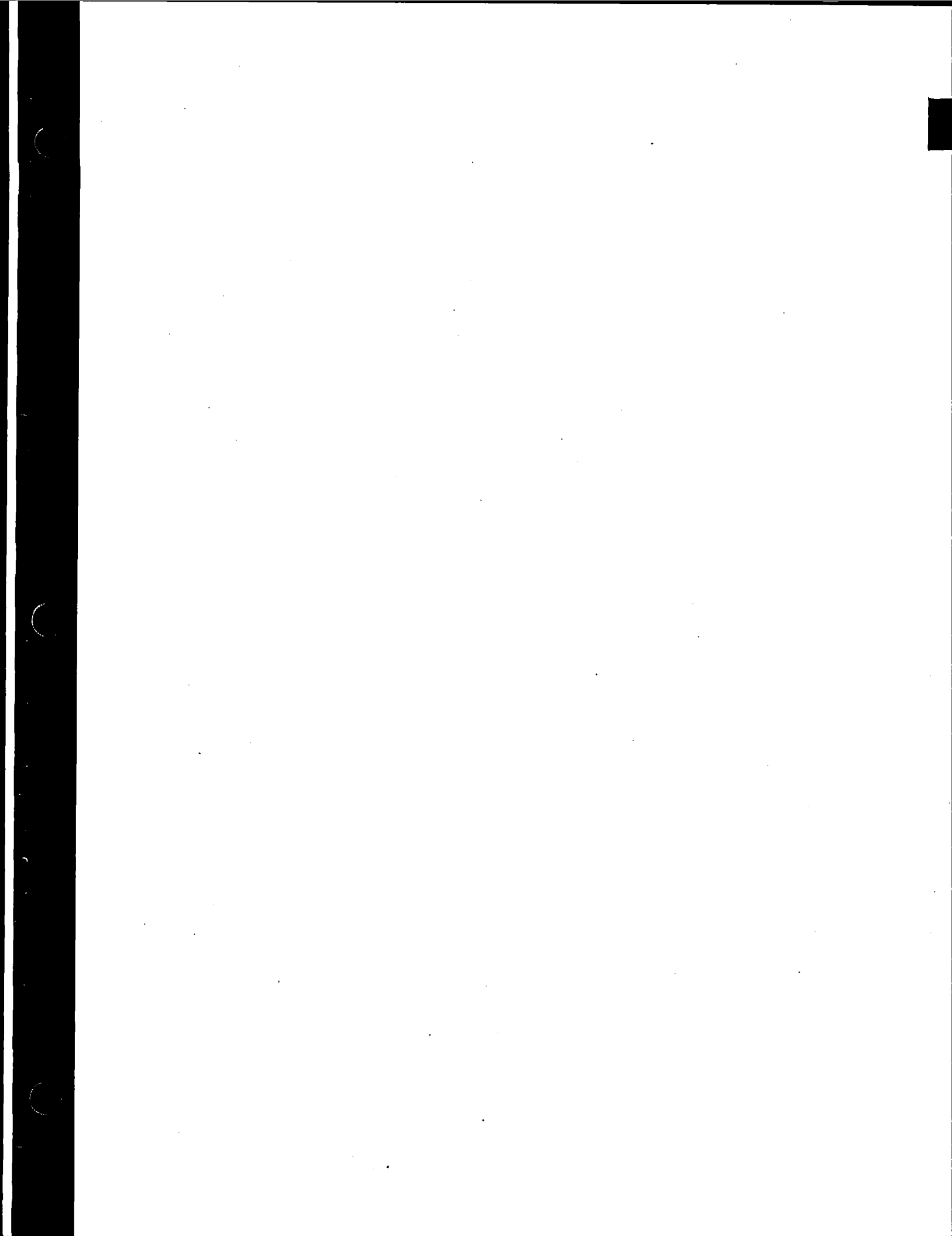
x John Roberts

x Robert C. Keenan

x Pat A

x Stephen J. Miller

x William Eggen



2. Provide the resolution of U.S. 60's Board of Commissioners in which the proposed rate revision was approved or, if no resolution was separately prepared, the minutes of the meeting of U.S. 60's Board of Commissioners in which the proposed rates were approved.

Response: See copy of the December, 2013 minutes contained in the Answer to Question 1.

Responsible Witness:

William Eggen or David Hedges

3. List separately for each calendar year from January 1, 2011 through December 31, 2013, and year-to-date for 2014, the total number of U.S. 60's:

- a. New meter connections;
- b. New 5/8-inch x 3/4-inch meter connections;
- c. New 1-inch meter connections; and
- d. New larger meter connections.

Response:

There were 43 new meter connections from January 1, 2011 through December 21, 2013. Individual annual totals are not yet available. There have been 4 meters set in 2014. All meters have been 5/8 inch x. 3/4 inch.

Responsible Witness:

David Hedges or Jeremy Carmack



4. State the number of spare meters that U.S. 60 presently has in its inventory as of February 28, 2014.

Response: None.

Responsible Witness:

David Hedges or Jeremy Carmack

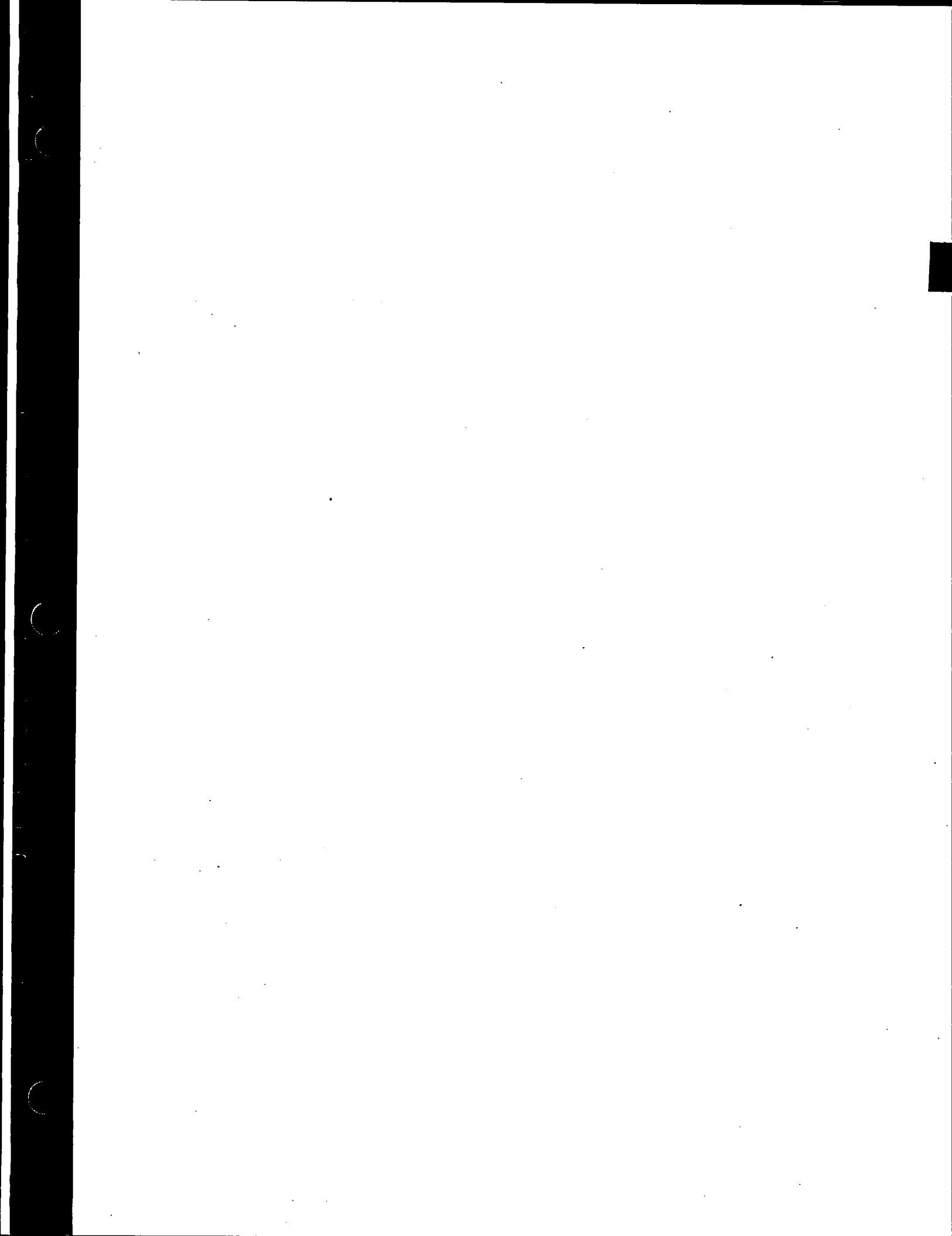


5. State the number of meters that U.S. 60 seeks to maintain in its inventory.

Response: None.

Responsible Witness:

David Hedges or Jeremy Carmack

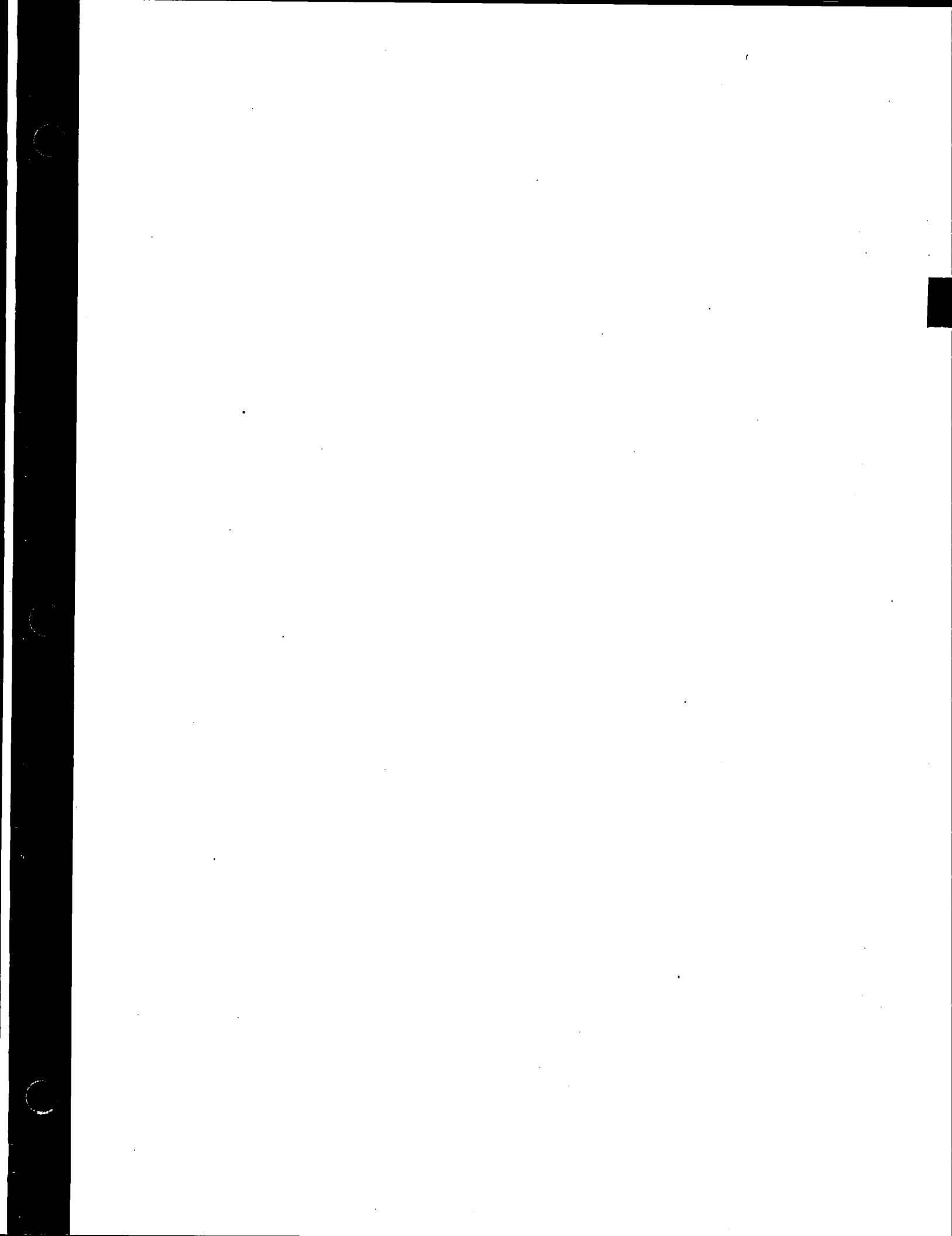


6. State the number of meters that U.S. 60 purchases when it orders 5/8-inch x 3/4-inch meters.

Response: None. U.S. 60 does not purchase meters. They are purchased by North Shelby Water Company (“North Shelby”) and sold to U.S. 60 at North Shelby’s cost as each meter is used.

Responsible Witness:

David Hedges or Jeremy Carmack

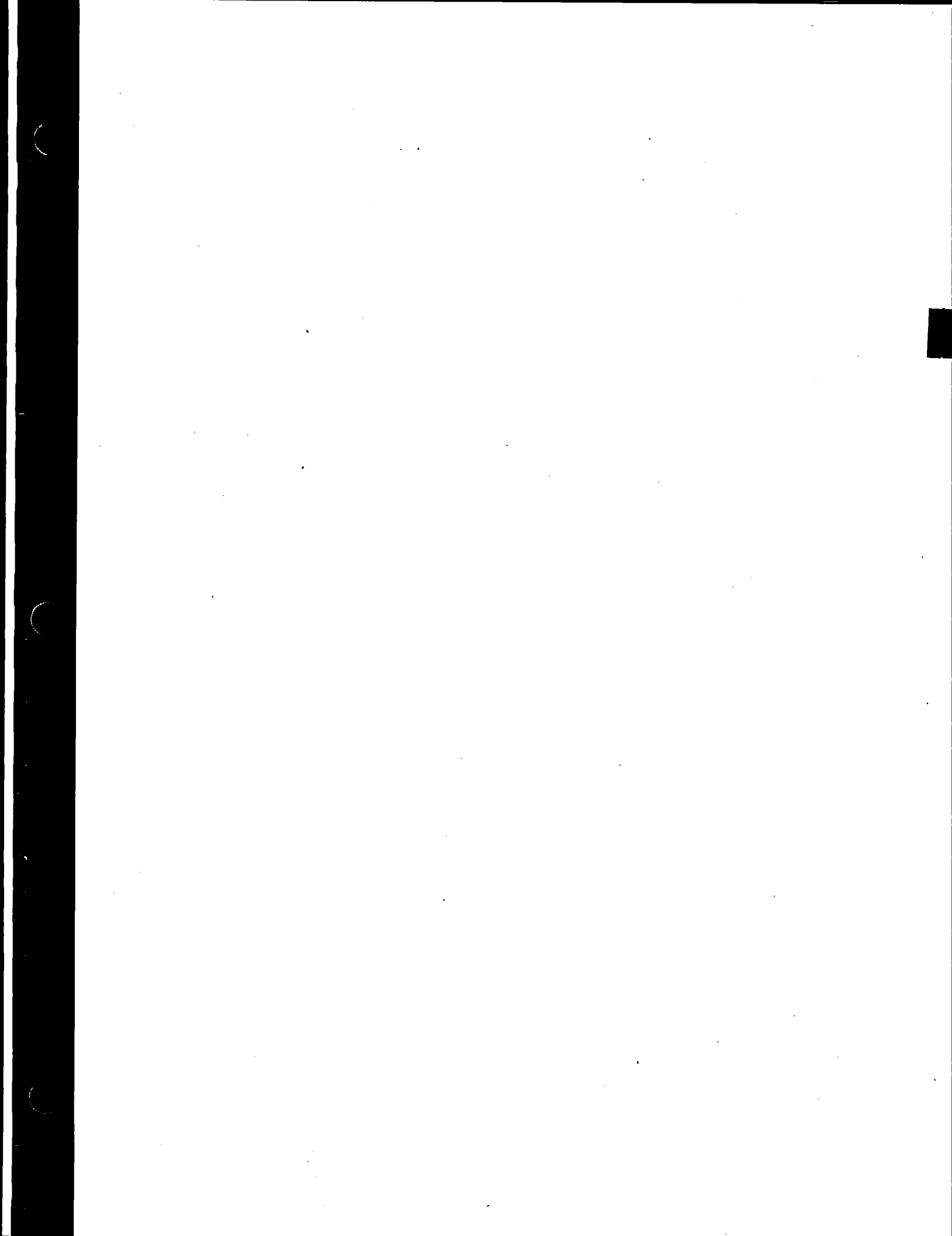


7. For each of U.S. 60's last five purchases of 5/8-inch x 3/4-inch meters, state the date the order was made, the vendor, and the number of meters purchased. Provide copies of invoices.

Response: This question is not applicable to U.S. 60 for the reason stated in Answer to Question 6.

Responsible Witness:

David Hedges or Jeremy Carmack

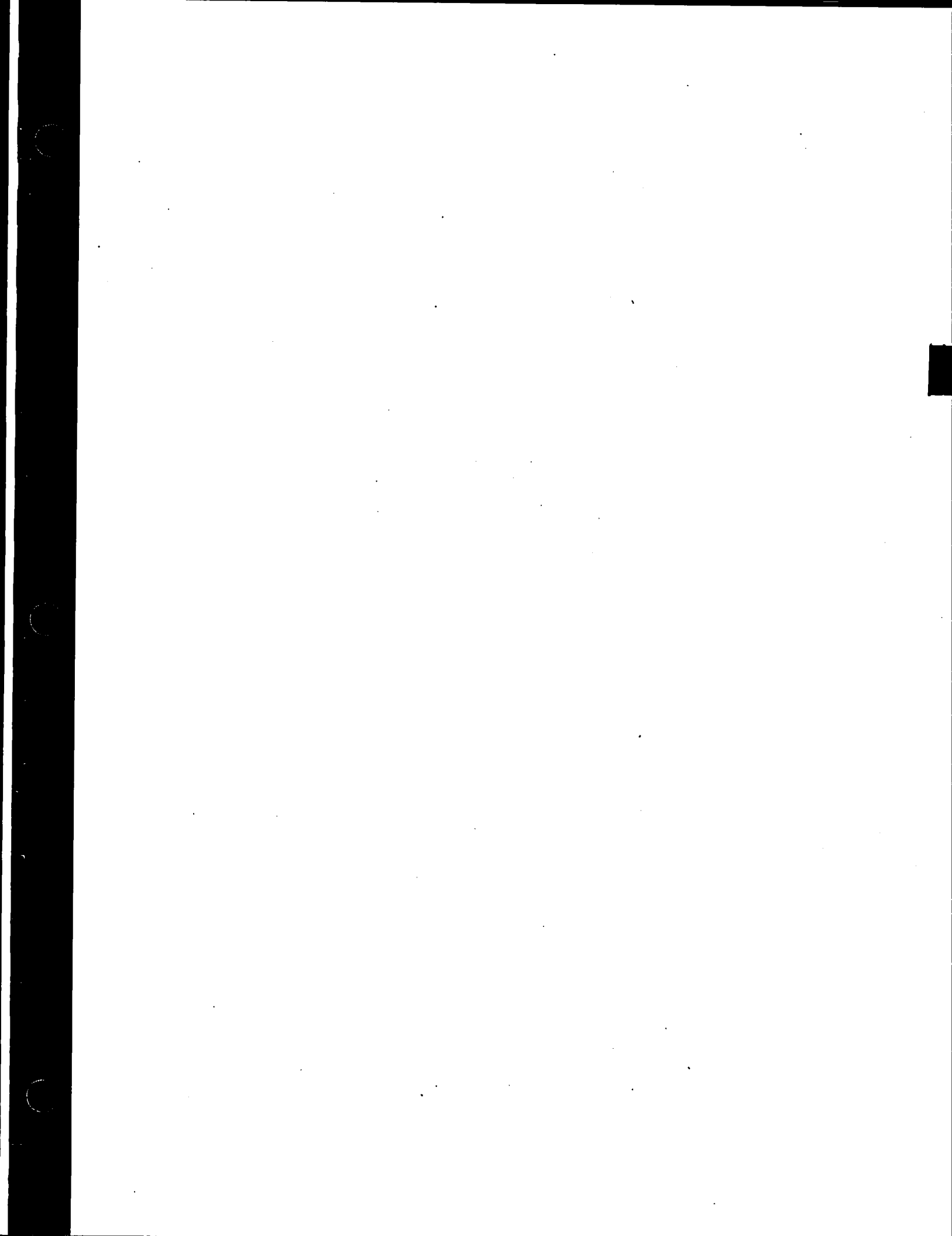


8. Identify by name and address each vendor from whom U.S. 60 solicited a bid or estimate regarding meters in the course of preparing its proposed rate revision.

Response: None, for the reason set forth in Answer to Question 6.

Responsible Witness:

David Hedges or Jeremy Carmack



9. State whether, in U.S. 60's opinion and experience, the cost per unit for meters is less when the purchase order is for a number of meters rather than for one meter.

Response: Yes. This is one of the reasons why North Shelby purchases all of the meters for both utilities.

Responsible Witness:

David Hedges or Jeremy Carmack

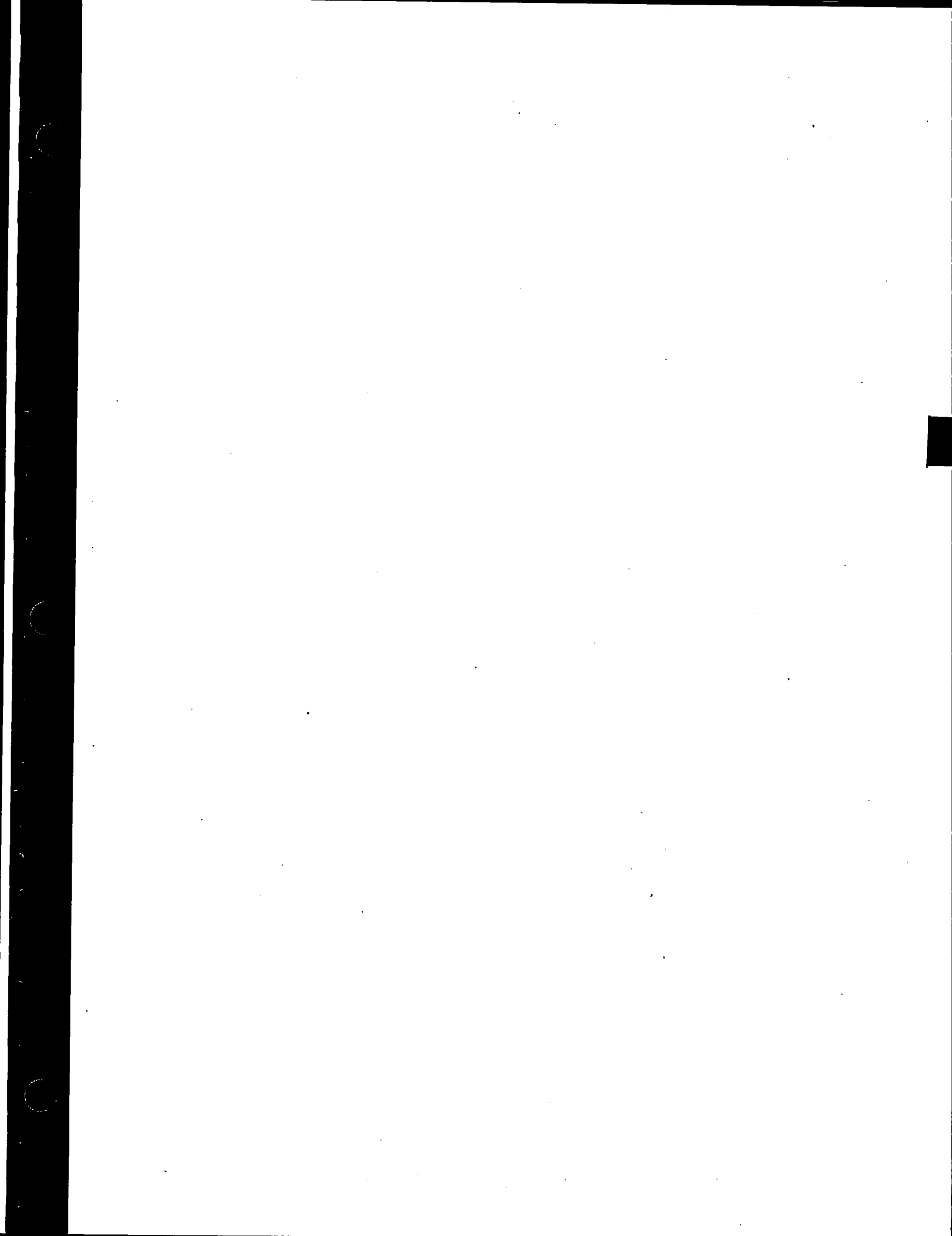


10. Identify by name and address each vendor from whom U.S. 60 solicited a bid or estimate regarding meter-setting materials in the course of preparing its Application.

Response: None, for the reason set forth in Answer to Question 6.

Responsible Witness:

David Hedges or Jeremy Carmack



11. For each meter installation performed from January 1, 2011 through February 28, 2014, state the meter size, type of service (short or long side), and the number of hours required for the installation.

Response: All meters were 5/8 inch x 3/4 inch. The hours listed in Exhibit 1, Pages 2, 3, 5 and 6 were the totals figured by North Shelby for its non-recurring charge case and should be substantially the same for US 60. US 60 personnel are in the process of pulling each US 60 service order to compile this information specific to US 60.

Some of the materials listed on Exhibit 1, Page 1 (5/8 inch x 3/4 inch meters) have increased in cost are now as follows due to the EPA no-lead rule and US 60's change to installing radio read meters:

Sensus I-Pearl meter:	\$ 120.00
MXU transmitter:	\$ 135.00
Meter yoke:	\$ 241.71
Corporation Stop (same):	\$ 61.83
Meter box & top (same):	\$ 67.48
Tubing saddle (same):	\$ 41.26
<u>P.E. tubing inserts (same):</u>	<u>\$ 1.87</u>

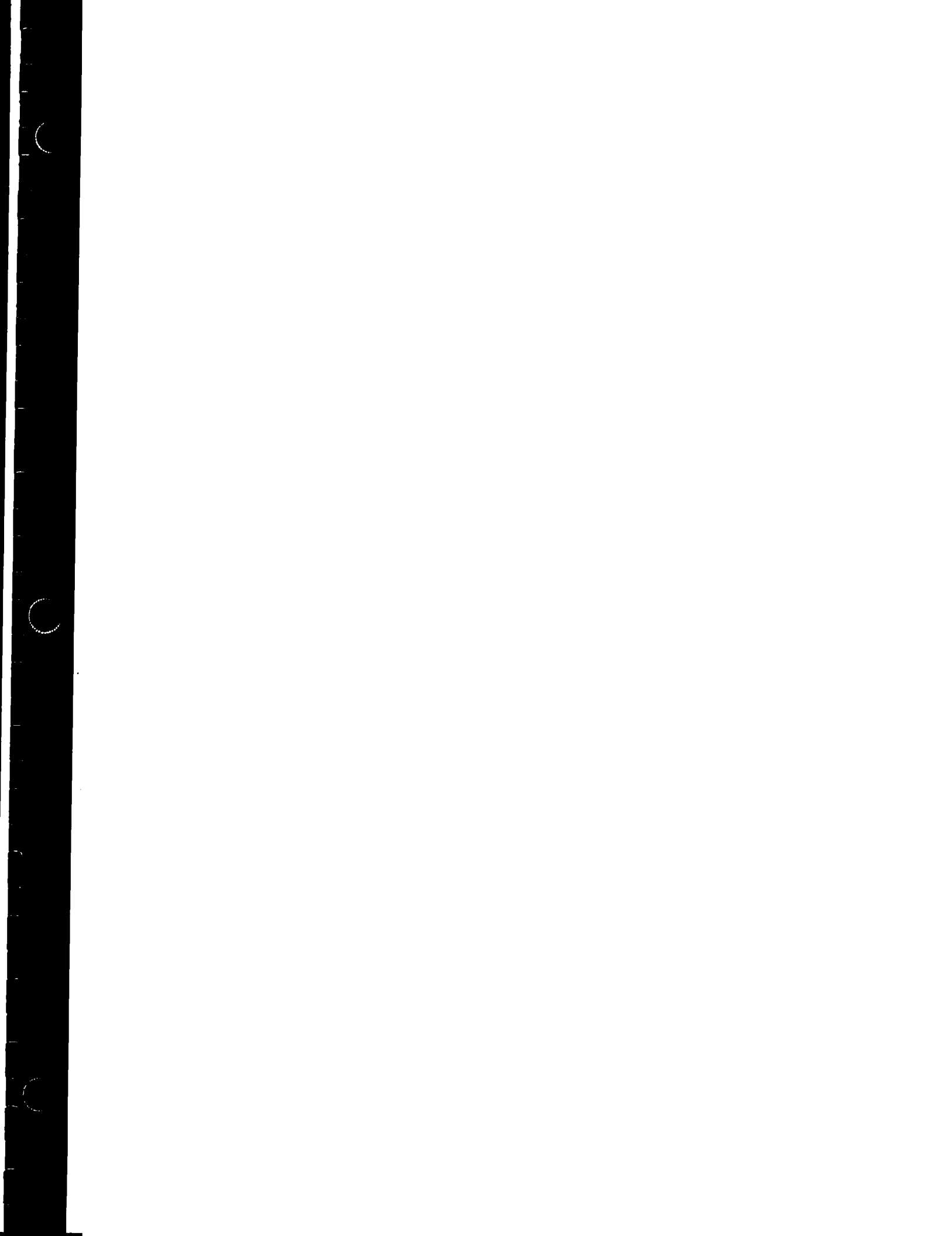
Total materials cost: \$ 669.15

The total connection expense for a 5/8 inch x 3/4 inch meter must be increased by this \$216.14, as well as by the net dump truck use fee increase (see question 18b. $\$135.00 - 16.95 = 118.05$) of \$118.05, for a new total meter installation expense of \$1,350.37.

The cost of materials for a 1-inch meter have also increased, but since US 60 has not set any of these during the period in question US 60's tap-on fee for a 1-inch meter should be changed to "actual cost". In the alternative, North Shelby's tap-on fee could used but increased by the increased cost of the materials.

Responsible Witness:

David Hedges or Jeremy Carmack



12. Refer to Exhibit 3 of the Application.

a. Does the list of field personnel include all field personnel for U.S. 60? If not, identify the additional field personnel and provide the same information for the additional personnel as is provided in Exhibit 3, Page 1 of 5.

Response: U.S. 60 does not have any employees. The list includes all of the field personnel for North Shelby Water Company.

b. Identify the employees whose primary duties include the installation of water meters.

Response: Kyle Ricketts; Jeremy Thurman; Christopher Cox, and Roy Lewis.

c. Describe the primary job duties of each employee listed as field personnel.

Response: Kyle Ricketts; Jeremy Thurman; Christopher Cox, and Roy Lewis: installation of water meters, water main repair and installation, and other digging work.

Frankie Masters: service calls, disconnects and reconnects, meter turn-ons, customer complaint investigation, and other similar activities.

Ronda Hill: meter testing.

Responsible Witness:

David Hedges or Jeremy Carmack



13. In its calculation of Installation Equipment Expense, U.S. 60 assumes an hourly wage rate of \$50.00 for a backhoe and \$15.00 for a push rod machine.

a. Explain how these hourly rates were determined.

Response: These are not wage rates. These are the equipment rental rates charged by North Shelby to U.S. 60. These are also the exact same equipment use rates used by North Shelby in its tariff case TFS 2013-00515 in which the Commission approved the exact same nonrecurring charges being sought by U.S. 60 in this case.

b. For each type of installation equipment listed in the Application, state whether U.S. 60 owns such equipment. If U.S. 60 owns any equipment identified in the Application, identify the year of acquisition and the acquisition cost.

Response: U.S. 60 does not own any equipment. All equipment is provided by North Shelby.

Responsible Witness:

David Hedges or Jeremy Carmack

14. Explain how U.S. 60 determined the amount of time for Installation Equipment Expense. Provide all records and show all calculations that U.S. 60 used to make its determination.

Response: These are the same amount of hours of equipment use estimated by North Shelby and used in North Shelby's non-recurring charge case last year. It takes the same average amount of backhoe time and push rod machine time to install a meter regardless of which company's meter is being installed. Therefore, the hours reported by North Shelby must be substantially the same as US 60's. Even if they were not, North Shelby's management has for the last six months been placing an increased emphasis on accurate billings so future figures for US 60 should be identical to the North Shelby figures. US 60 personnel are in the process of pulling each US 60 service order to compile this information specific to US 60.

Responsible Witness:

David Hedges or Jeremy Carmack



15. To the extent that Installation Equipment Expense and Installation Miscellaneous Expense involve the rental of equipment, identify all suppliers from whom U.S. 60 has rented equipment for installing meters during the period January 1, 2011 through February 28, 2014, and provide a copy of the rental agreements.

Response: There are no rental agreements since North Shelby provides all equipment and charges US 60 the same hourly rates North Shelby used in its non-recurring charges case. It is management's opinion the rental cost would be much higher if rented elsewhere. North Shelby charges by the hour whereas other rental companies charge by the day.

Responsible Witness:

David Hedges or Jeremy Carmack

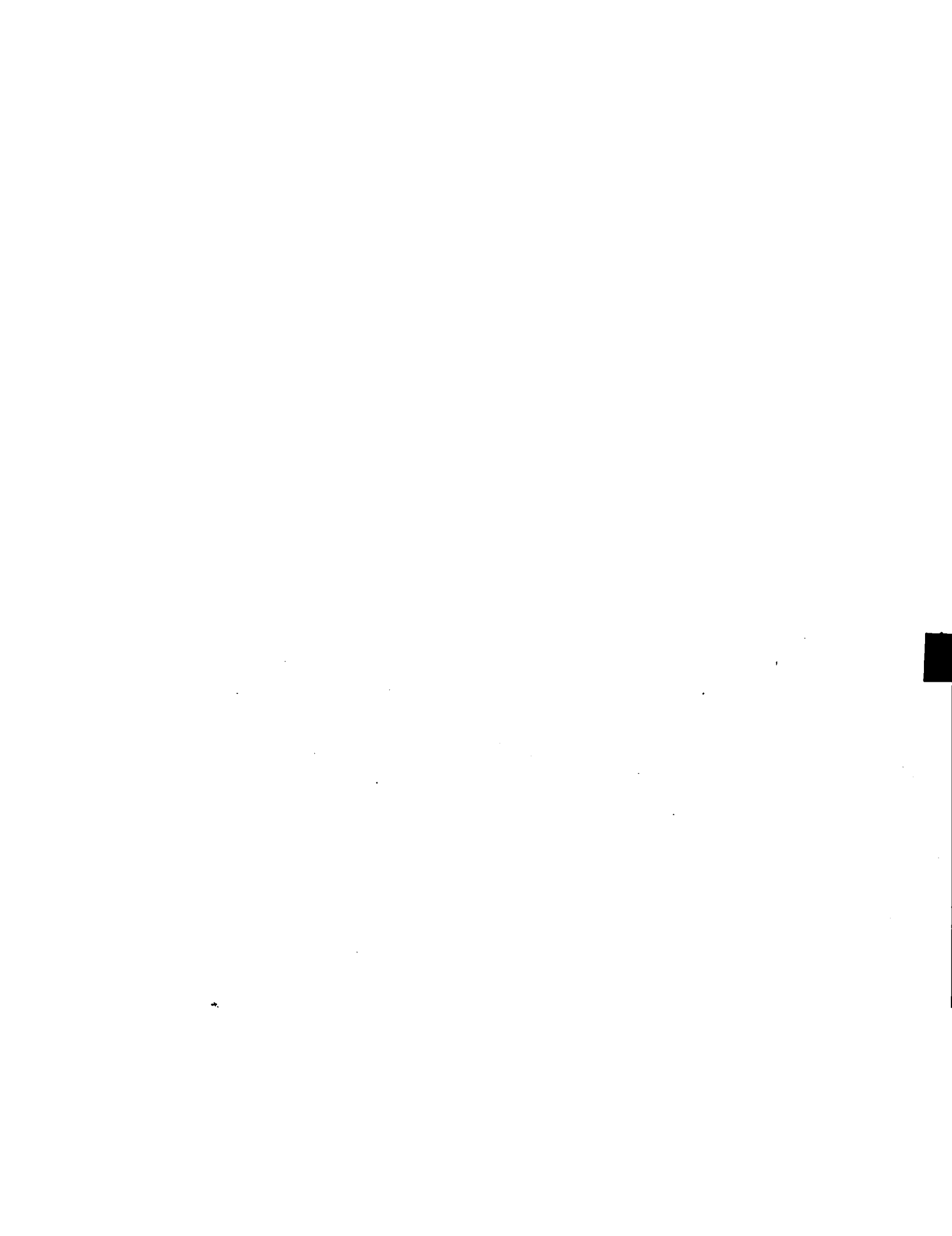


16. Identify all persons from whom U.S. 60 solicited a bid or estimate regarding the rental of equipment listed in the Application in the course of preparing its proposed rates.

Response: None.

Responsible Witness:

David Hedges or Jeremy Carmack



17. Refer to the Application, Exhibit 3, Page 3 of 5, section titled Finalization of the site and preparation to return to shop.

- Perform rough cleanup in preparation for final cleanup at a later date.
 - a. Why is the final cleanup performed at a later date?
 - b. Will the same employees who perform the installation perform the final site cleanup? If not, identify the hourly rate of the employees who perform the meter installation and the hourly rate of the employees who perform the final site cleanup.
 - c. Describe activities involved in final site cleanup procedure.

Response: a. There is always dirt settlement over time. If final cleanup activities (see c. below) were performed when the meter is set all would have to be re-done at a later date due to this inevitable dirt settlement.

b. 90% of the time it is the same employees.

c. Final cleanup generally involves re-grading the site, removing any loose rock that has been exposed by the settlement, and seeding and strawing the disturbed areas.

Responsible Witness:

David Hedges or Jeremy Carmack

18. Refer to Exhibit 1 of the Application, Page 3, Section F(3).

a. Explain how U.S. 60 determined the distance of 30 miles.

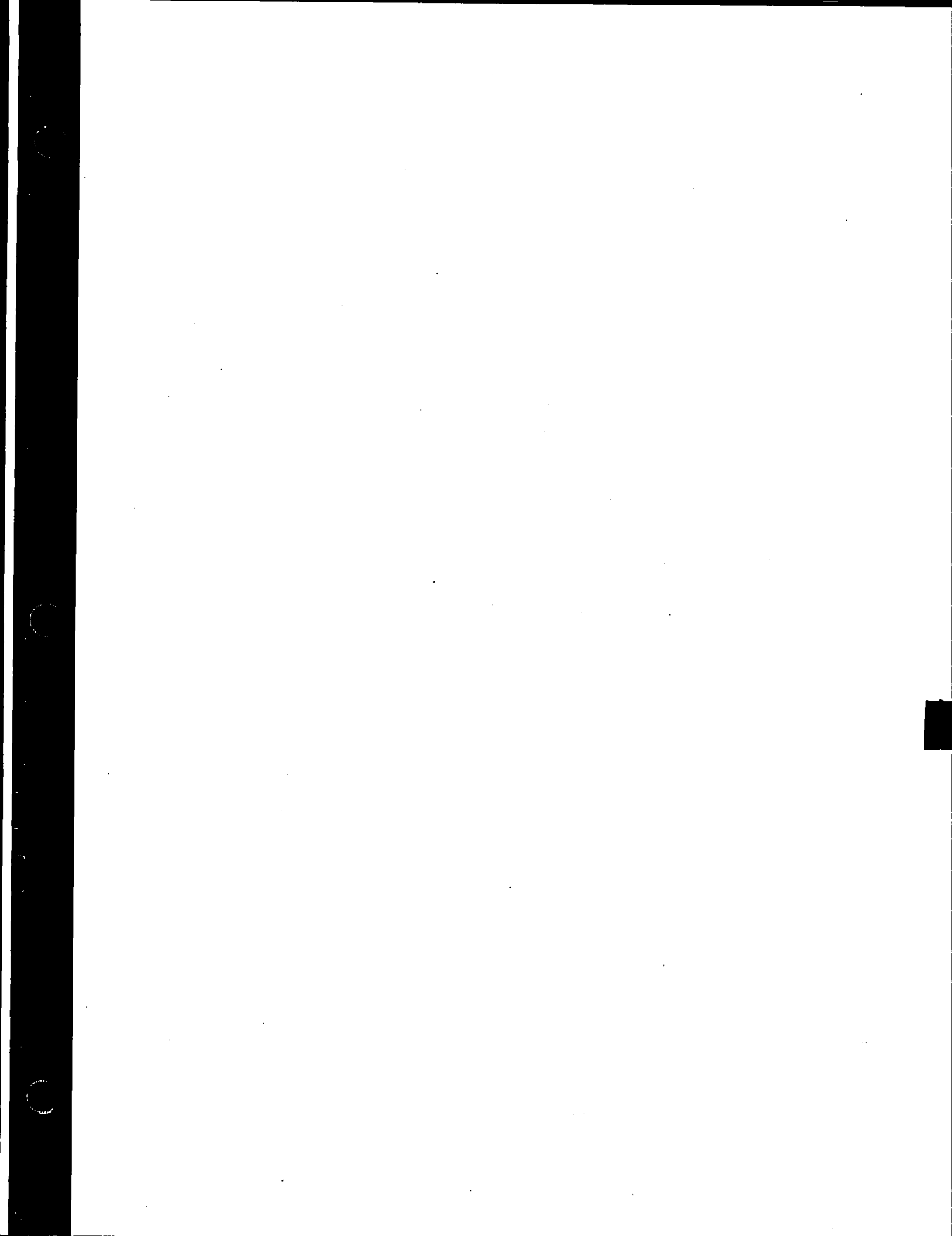
b. Does this distance include expenses for the second trip to the site for final cleanup?

Response: a. This was the average trip distance calculated by North Shelby, and should be substantially the same for US 60. The average distance to US 60's closest and farthest customers is 31 miles, whereas North Shelby's is 30 miles. US 60 personnel are in the process of pulling each US 60 service order to compile this information specific to US 60.

b. Yes. Trips to and from meter installation sites are combined with other tasks when possible, so this mileage assumes there are on average two tasks performed on the initial installation trip and two tasks performed on the final cleanup trip. Additionally, workers may perform tasks for both North Shelby and US 60 on the same trip if they can be more efficiently performed that way. Therefore, one-half of each trip is allocated to the meter installation expense. In reviewing the page referred to in this question, an error was discovered. North Shelby charges US 60 a flat rate of \$135.00 for use of the dump truck and trailer which includes all mileage for that trip. The \$16.95 dump truck and trailer mileage figure on Exhibit 1, Page 3 in F3 should be deleted and replaced by \$135.00.

Responsible Witness:

David Hedges or Jeremy Carmack



19. List all activities included in the administrative expenses of \$19.51 and the amount of time that each activity takes. Explain how U.S. 60 determined the amount of time for each activity.

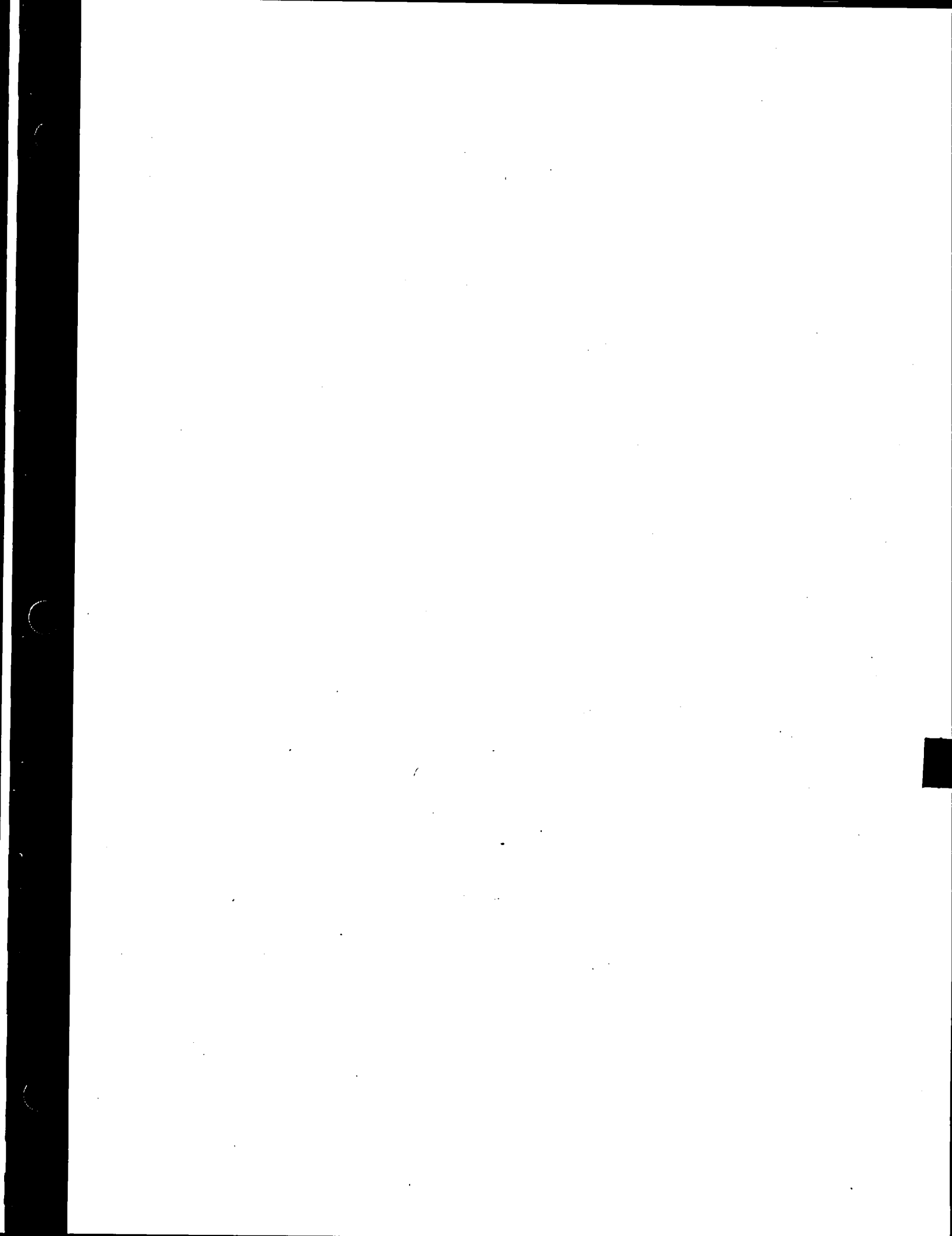
Response: The activities included in the administrative expenses of \$19.51 include obtaining via telephone call or in person the required information to set up a new customer service account including the location where the meter is to be installed, entering all of this information in the computer system, obtain a signed customer contract, the required deposit, and the required tap-on fee before the meter will be set, print a work order for the specific meter to be installed, and post the work order on the bulletin board for the outside workers to pick up. After the job is finished, the information from the completed work order sheet is entered into the computer system to be used to calculate the bill from North Shelby to US 60 for that installation, including the time required, mileage to and from the site, and the equipment, vehicles, and materials used.

The amount of time that each activity takes is not available. The one hour of time is a good faith estimate by North Shelby's employees regarding the time needed for administrative expenses for a North Shelby meter, which will be a little less than the amount of time needed for a US 60 meter since a bill does not have to be prepared for North Shelby meter installation. The \$19.51 cost is the same amount used by North Shelby in its case.

US 60 is not billed separately by North Shelby for this administrative expense. Instead, US 60 pays to North Shelby each month 29% of all office and management salaries and office expenses. This percentage is based upon the fact that the last time the percentage allocation was set, US 60 had 29% of the combined North Shelby and US 60 customers. This percentage allocation and other expenses charged by North Shelby to US 60 are scheduled to be refigured, hopefully effective May 1, 2014, although it is unlikely that target date will be met.

Responsible Witness:

David Hedges or Jeremy Carmack



20. Show all calculations that U.S. 60 used to develop its estimate for administrative expense.

Response: US 60 did not do calculations independently from those calculated by North Shelby and used in North Shelby's non-recurring charge case last year. US 60 used the same estimate for administrative expense that was used by North Shelby for the reasons listed in the Answer to Question 19 above.

Responsible Witness:

David Hedges or Jeremy Carmack

21. Refer to the Nonrecurring Charge Cost Justification forms provided in the Application for Meter Turn-on Charge, Service Line Inspection Charge, Service Reconnection Charge, Delinquent Account Collection Charge, Meter Reading Recheck Charge, Meter Test Charge, Service Investigation Charge, Meter Investigation Charge, and the correspondent after-hours charges.

a. Explain in detail how U.S. 60 determined the 1.25 hours of labor in Section 1.B. List all activities included and the amount of time that each activity takes.

b. Explain why no clerical and office expense was estimated for these charges.

c. Explain why no materials expense was estimated for these charges, particularly the Meter Test Charge.

d. Refer to Meter Test Charge Cost Justification, Section 3, Miscellaneous Expense. Explain how U.S. 60 determined two hours for shop test labor. Provide the time it takes U.S. 60 to test a meter.

Response: a. US 60 did not perform separate calculations to determine the figure of 1.25 hours. It used the same figures calculated for North Shelby because the personnel are all the same and the average distance to a North Shelby customer is similar to the average distance to a US 60 customer. The basis for North Shelby's calculations, which have been adopted by US 60, were one-half hour to pick up the work order and travel the average 30 miles to the customer location, 15 minutes on site to perform the activity, and one-half hour to return to the office and submit the completed work order including time and mileage.

b. The failure to include clerical and office expense was an oversight. An amount, at least one-half of the meter connection expense cost of \$19.51, should be added to each of the non-recurring charges listed in the first sentence of this question. This charge would include the administrative office services of obtaining via telephone or in person the nature and location of the task to be performed, preparing and posting the work order, and entering the billing information into the computer system.

c. There are not any materials used for any of these services except approximately 125 gallons of water for a meter test. North Shelby does not bill US 60 for the cost of this water, which would be between 25¢ and 30¢ per meter test, using North Shelby's average wholesale water cost.

d. All meter tests are performed by North Shelby employees. The two-hour shop test labor figure is a good faith estimate used by North Shelby in its case for the amount of time needed to test each North Shelby meter. This would be the same time expended for each US 60 meter.

This includes the time required to pull the meter from the customer's premises, replace it with a temporary meter, transport the meter back to North Shelby's office, the time required to put the meter in the test bench and the time while each of the three meter flow rate tests are running, the time to remove the meter from the test bench, and the time to transport the meter back to the customer's premises, assuming the meter tested accurate, and re-install the tested meter at the customer's premises. It also includes the time involved to pick up the applicable work order, perform the required paperwork, and tag and store any meters not being returned to service. It is believed two hours underestimates the actual time required for this service.

Responsible Witness:

David Hedges or Jeremy Carmack