

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HARDIN COUNTY)	
WATER DISTRICT NO. 1 FOR A GENERAL)	CASE NO.
RATE ADJUSTMENT EFFECTIVE ON AND)	2006-00410
AFTER DECEMBER 2, 2006)	

COMMISSION STAFF'S SECOND INFORMATION REQUEST
TO HARDIN COUNTY WATER DISTRICT NO. 1

Hardin County Water District No. 1 ("Hardin") is requested, pursuant to 807 KAR 5:001, to file with the Commission no later than February 19, 2006, the original and 8 copies of the following information, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Provide all ordinances and resolutions of the Hardin County Fiscal Court that address the current level of compensation for members of Hardin's Board of Commissioners.

2. For each attorney that Hardin employed in calendar year 2005 or currently employs, provide written evidence that the Hardin County Judge/Executive has approved his or her employment and the payment of his or her compensation from water district funds.

3. Refer to Hardin's response to Commission Staff's First Information Request, Item 3. For each construction project listed provide the following information.

- a. The date construction began.
- b. The estimated/actual completion date.
- c. The estimated/actual completion cost.
- d. The projected/actual number of customers that will be added to the

system.

4. On page 5 of his Direct Testimony, Brent Tippey states that between January 1, 2006 and September 30, 2006, Hardin added 263 customers. According to Mr. Tippey if this number is annualized Hardin should have added 350 customers, which is the basis for the proposed revenue adjustment. Identify by project the number of customers listed in the response to 3(d) that are included in the 263 new customers.

5. Refer to Exhibit 3 of the Application and to Hardin's response to Commission Staff's First Information Request, Item 11, page 5. In these documents the following information is provided with regard to the 1998 Bonds. Explain the two discrepancies.

	<u>Exhibit 3 of Application</u>	<u>Item 11 of Response</u>
Original Principle	\$3,950,000	\$3,200,000
Type of Interest	Fixed Rate	Adjustable Rate

6. Refer to Hardin's response to Commission Staff's First Information Request, Item 11.

a. Confirm that the information included in this response regarding the 1998 bond issue in the amount of \$3,200,000 and the 2002 bond issue in the amount of \$4,500,000 states that both of these issues are variable rate bonds secured by a letter of credit issued by The Fifth Third Bank while the 2005 bond issue in the amount of \$6,860,000 has fixed rate interest and is secured by a pledge of revenues from the system.

b. Confirm that at page 11 of the information filed with regard to the 2005 bond issue in the amount of \$6,860,000 calculates Hardin's debt coverage requirement at 120 percent exclusive of the "subordinate variable rate debt."

c. In light of (a) and (b) above state why in Exhibit 3 of the application Hardin calculates a debt service requirement that includes a 120 percent coverage for the 1998 issue and states here that this issue is a "fixed rate."

d. Confirm that the coverage requirement of the 2005 bond issue in the amount of \$6,860,000 requires a 120 percent debt coverage exclusive of an allowance for depreciation, see Item (b) of the section labeled "Parity Bonds" in the information filed with regard to the 2005 bond issue in the amount of \$6,860,000.

e. In light of (d) above state why it is appropriate and necessary for Hardin to calculate its revenue requirements using the debt coverage inclusive of depreciation expense as done at page 1 of Exhibit 11 of the application.

7. Refer to Hardin's response to Commission Staff's First Information Request, Item 11 pages 2 through 4.

a. Provide independent supporting documentation for all the scheduled principal and interest payments listed for the 1998 and 2002 bonds.

b. Provide a copy of the cancelled checks used to make the principal and interest payments due September 1, 2006, for the 1998, 2002, and 2005 bond issues in the amounts of \$415,000 and \$60,493.75; \$100,000 and \$10,452; \$65,000 and \$141,488, respectively.

8. Refer to the Application, Exhibit 2, page 13. The 1998 bond balance as of December 31, 2005, is stated at \$2,960,000.

a. State the original amount of this issue.

b. State what portions of the original amount were used for refunding of the 1989 and 1992 bonds, the new service center, and the Fort Knox Interconnect project as mentioned in the last note on that page.

c. Does Hardin perform any functions with regard to its Fort Knox waste water or storm water operations at the new service center?

d. If yes to 8(c), state those functions and explain why there was no allocation of the annual debt service from the water division to the sewer at Exhibit 3 of the Application.

9. Refer to Exhibit 2 of the Application, pages 8 and 9. Do the columns labeled as "Sewer" on these pages reflect the entire operations of Hardin's Fort Knox waste water and storm water systems?

10. a. Review of the general ledger provided in Hardin's response to Item 4 of Commission Staff's First Information Request, shows Contractual Operations Expense of \$894,276.98. Confirm that this is the total amount paid to Veolia Water

North America – South, LLC (“Veolia”) for execution of its contract to operate the Fort Knox waste water and storm water systems during 2005 except for the capitalized portion of \$11,981 as noted in the audit report.

b. Refer to Note H on page 16 of Exhibit 2 of the Application. Confirm as it states here that the annual fee to be paid to Veolia for its operations contract in the first three years is \$1,678,658.

c. State the date Veolia’s contract became effective.

d. State the date that Hardin took over operations of the Fort Knox waste water and storm water systems.

e. If Hardin took over the Fort Knox operations prior to the effective date of its contract with Veolia, describe how Hardin managed Fort Knox’s operations.

11. Refer to the general ledger provided in response to Item 4 of Commission Staff’s First Information Request.

a. During the test year Hardin accrued revenue to accounts 10.00.4740000 – Sewer Revenue Income – Monthly Contract and 10.00.4740101 – Sewer Storm Water Monthly Contract in the amounts of \$177,105.06 and \$7,102.43, respectively. State the nature of this contracted revenue.

b. What services are provided in return for this revenue?

c. This revenue was being accrued at the beginning of the test year which implies that it is independent of Hardin’s take-over of the Fort Knox sewer systems at mid test year. Will this revenue continue into the future even though Hardin has now taken over operation and owns the Fort Knox waste water systems? Explain.

d. The test year balances reflect 11 months of revenue. Should they reflect 12 months?

e. How is this revenue different from the test year revenue collected pursuant to Hardin's take-over of Fort Knox's waste water systems and accrued to accounts 20.00.5210400 – Fort Knox Sanitary Sewer Revenue and 20.00.5210500 - Fort Knox Storm Water Revenue in the amounts of \$1,281,954 and \$202,864, respectively.

12. Refer to Exhibit 2 of the Application, page 9.

a. Operating Income from sewer operations is stated at \$303,061. This amount reflects only the last six months of the test year as Hardin's purchase of the Fort Knox sewer assets occurred in the middle of the year. Is there anything included in this reporting period for Hardin's sewer operations that would make it inappropriate to double the reported test year amount to determine normalized test year operating income to be \$606,122 in the pro forma.

b. As Hardin's Fort Knox storm water operations are not regulated and provided a portion of the test year operating income of \$303,061, state why Hardin did not allocate a portion of the operating income attributable to the storm water operations to its water division when determining revenue requirements in this case. Absent such allocation state the benefits accruing to Hardin's water customers in return for assuming the risk of ownership of these storm water assets.

c. State the nature of the government contribution in the amount of \$15,197,541.

d. Describe how Hardin is to use this contribution.

13. Refer to the Application, Exhibit 14, page 2.
 - a. Provide all workpapers supporting the assets disposed of during 2005 equaling \$133,144.
 - b. Explain the “adjustment for additional depreciation per schedule” of \$73,913. Is it simply to bring the estimated monthly entries to the depreciation expense account for the test year that total \$510,400 up to the actual expense calculated on the plant schedule of \$584,313?
 - c. Provide all workpapers supporting the adjustment for prior period errors of \$172,105.
14. Refer to the Application, Exhibit 14. State the process and procedures used to determine the estimated useful lives of all asset categories included therein.
15. Refer to the Application, Exhibit 14, pages 10 and 11. For each entry to Transmission and Distribution Mains that is depreciated over an estimated useful life other than 50 years, explain how the estimated useful life was chosen, why it is shorter than the lives of the other mains, and state why the life is appropriate.
16. Refer to the Application, Exhibit 14, page 13. Explain why the estimated useful lives of hydrants is 40 years for those placed into service during the test year but 50 years for all previously installed hydrants.
17. Refer to the Application, Exhibit 14, pages 9 through 14.
 - a. Identify all assets listed that have been allocated pursuant to item (e), Depreciation of Fixed Assets, as stated on page 6 of item 2 filed in response to the Commission Staff’s First Information Request.

b. For each asset listed in response to Item (a) above, provide the method and basis for allocation.

c. Confirm that all assets listed on these pages not identified in response to Item (a) above are used for the sole purpose of furnishing water to Hardin's water customers and are not used for Hardin's processing of waste water or storm water.

18. Refer to the Application, Exhibit 8, page 3.

a. Provide the most current vendor invoices for dental and vision insurance. Each invoice shall list all employees individually. If the listing identifies employees by a code number, provide the name for each number.

b. Provide the invoices supporting the dental payments of \$3,368.

c. With regard to the dental administration fee. Who is it paid to and state what is received in return for this payment.

d. Confirm that there are no expenditures reflected in the test year general ledger related to dental and vision insurance. If there are, state them here including the amounts and account numbers.

e. Is the "HRA" fee a new charge that was not paid during the test year?

19. Provide the most recent vendor invoice for health insurance. The invoice shall list employees individually by name and state clearly the type of coverage provided.

20. Refer to Hardin's response to Item 8 of the Commission Staff's First Information Request. For each employee listed state separately:

- a. Test year regular time worked in hours.
- b. Test year over-time worked in hours.
- c. The number of hours spent reading meters.
- d. The number of hours spent installing new meters.
- e. The number of hours spent installing new lines.
- f. The number of hours spent working on other capital projects, identify the projects.
- g. The number of hours spent working for the Fort Knox waste water and storm water divisions.
- h. Whether or not the employee is still employed by Hardin. If not, state whether the employee has been replaced.
- i. For those employees that have wages capitalized does Hardin also capitalize a proportionate amount of those employee's payroll overhead costs, i.e., FICA taxes, health insurance, etc.?
- j. What does the column labeled as "Monthly Flex Spending" represent?

21. Refer to the Exhibit 8 of the Application, page 7. Hardin states that it was informed by "CERS/KY Retirement Systems" that employer retirement contribution was increasing from 10.98 percent to 13.19 percent. Provide a copy of the letter from the Kentucky Retirement Systems that states the employer retirement contribution rate that will be effective in 2006.

22. Refer to Application, Exhibit 8, page 6.

- a. Is it anticipated that either of these employees will do work for Hardin's Fort Knox sewer division?
- b. If yes to (a) state the percentage of time anticipated.
- c. Has the administrative clerk position been filled?
- d. If the response to 21(c) is yes, provide the date the position was filed, the actual hourly pay rate and a breakdown of the monthly employee benefits.
- e. If the response to 21(c) is no, state the status of this hire.
- f. Explain why the monthly health insurance for the new accountant is listed as \$333, but the monthly employee health insurance filed in response to Item 8 of the Commission Staff's First Information Request is shown as \$295.

23. Refer to the Application, Exhibit 8, page 1.

- a. Explain the reasonableness of adding the entire rate case amortization expense of \$7,485 related to the application filed in the case at bar when combined with the test year amount of \$1,958 the annual recovery is \$9,443. Consider that the test year amount appears to represent full amortization of all previous unamortized balances making the test year amount non-recurring.
- b. Provide all workpapers showing the calculation of the \$69,396 adjustment labeled "Addition of Full Year Sewer Mgmt Reimbursement."

24. Refer to the Application, Exhibit 19, page 1.

- a. Note 1 refers to (Schedule C). To what Schedule C is this in reference?
- b. Explain why pumping costs are calculated using pumping costs at Fort Knox of \$4,482.

c. Provide support for the pumping costs of \$4,482.

d. Show the calculation of the increase flow of 22,638,000 gallons.

e. It appears this exhibit suggests that pumping costs for the entire test year number of customers was \$4,482 while the addition of 350 customers will increase this amount by \$4,528. Explain.

25. State the number of new services installed during the test year.

26. Provide copies of Hardin's test year water loss reports.

27. Refer to the general ledger provided in response to Item 4 of the Commission Staff's First Information Request, Account No. 20.00.7750000. Provide all workpapers and supporting documentation used to calculate the \$26,032 entry for "Water Personnel Cost for Se."

28. Refer to the general ledger provided in response to Item 4 of the Commission Staff's First Information Request, Account No. 10.19.6427030. Provide the basis for capitalizing \$30,083 of fixed rate long-term debt interest.

29. Refer to the general ledger provided in response to Item 4 of the Commission Staff's First Information Request, Account No. 10.14.6500000. Provide all workpapers and supporting documentation for the \$37,284 entry for "Capitalize Labor, Equipment Fo."

30. Refer to the general ledger provided in response to Item 4 of the Commission Staff's First Information Request, Account No. 10.14.6200200. Provide all workpapers and supporting documentation for the \$67,028 entry for "Capitalize Labor, Equipment Fo."

31. Refer to the general ledger provided in response to Item 4 of the Commission Staff's First Information Request. What do the accounts titled OASDI represent?

32. Refer to Application, Exhibit 6, Comparison of Present and Proposed Rates. The table of Private Fire Line/Hydrant Charge lists two charges associated to a 6" line size. Are there two charges for a 6" line size or is this a typographical error?

33. Refer to Application, Exhibit 16, Section 1, Background/2005 Utility Data, page 11, Addition of New 2006 Customers Revenue. The Commission has maintained that known and measurable additions to the customer number and associated revenue may be acceptable in certain circumstances however, increasing customer numbers and associated revenue through estimations of customer growth has not been allowed.¹ Do you wish to adjust customer revenue using Year End 2006 customer numbers and the associated revenue? Provide all workpapers, calculations and assumptions used to determine this information.

34. a. Refer to Application, provide all schedules in Exhibit 16, Appendix C, Cost of Service Calculations on a computer disk in Microsoft® Excel 97 format with all formulas and links in proper working order.

b. Additionally, provide the Billing Analysis, on a computer disk in Microsoft® Excel 97 format with all formulas and links in proper working order.

¹ Case No. 2002-00105, Application of Northern Kentucky Water District for (A) an Adjustment of Rates; (B) a Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds (Ky. PSC June 25, 2003).

35. Refer to Application, Exhibit 16, Schedule B, Transmission and Distribution Expense and Amortization and Depreciation Expense, Wholesale Customer allocation. You have allocated \$49,282 Transmission and Distribution Expense and \$144,780 Amortization and Depreciation Expense to the Wholesale Customer Classification, is any part of this allocation attributable to distribution mains of the system?

36. Refer to Application, Exhibit 16, Schedule B, Item B9 of page 69 you stated that the, "Allocation factors are based on the inch-miles calculations provided in Appendix ___." What is the appendix you are referencing in this statement as the Appendix reference has been left blank?

37. Provide a copy of the vendor invoices supporting the following payments as taken from Hardin's check register. Also, supply the voucher for each invoice showing the accounts to which each invoice was charged.

Check Number	Vendor	Amount
71570	Grassy Knoll, Inc.	558.00
71571	Harris	7,632.00
71575	Peterson Truck Center	54,769.00
71577	Radcliff Rotary Club	35.00
71649	James D. Or Theresa K. Reed	50.00
71656	Tim Davis and Associates	2,335.72
71657	Tim Davis and Associates	2,233.14
71659	Grassy Knoll, Inc.	2,148.10
71695	Beckmar	1,680.00
71698	CI Thornburg	5,864.72
71699	Dataimage	1,960.00
71705	Holt Equipment Co.	587.70
71706	Horizon Inspection Services	738.25
71709	Martin & Associates	5,935.00
71710	Myers Concrete Products	2,850.00
71711	Nalco Chemical Co.	16,270.80
71714	Quest Engineers, Inc.	1,000.00
71715	Radcliff Community Leadership	500.00
71716	Reynolds, Inc.	2,137.57
71717	Sunguard	11,422.28
71725	Hunt Tractor	57,581.00
71793	High Tide Technologies	270.00
71797	Martin & Associates	8,499.07
71798	Quest Engineers, Inc.	5,322.24
71800	Sungard	1,838.60
71821	Jeff Jones Chevrolet	14,141.00
71822	Kentucky Retirement Systems	10,041.11
71825	Metro United Way of Central KY	142.50
71826	PNC Advisors Retirement	9,982.97
71830	Tim Davis and Associates	2,239.44
71871	Kenney, Inc.	496,466.51
71873	Kentucky Glass Lined Tank	17,676.00
71875	Phillips Brothers Construction, LLC	668,084.49
71882	Dataimage	3,177.18
71925	Metro United Way of Central KY	142.50
71963	Jim Bruce	73.00
71967	CI Thornburg	6,840.00
71969	Engineering Design Group	1,732.50
71971	Fifth Third Bank	3,658.55
71976	Hughes Supply, Inc	11,182.07
71977	JP Morgan Securities, Inc.	828.33
71983	T&W Office Products	4,345.00
71990	Breckinridge County Court Clerk	60.00
71995	Kim Burns	966.94
72000	Humana Health Plan, Inc.	701.47
72013	Tim Davis and Associates	2,233.14
72014	Tim Davis and Associates	2,473.44

Check Number	Vendor	Amount
72017	Kenney, Inc.	125,985.62
72018	Kentucky Glass Lined Tank	2,493.00
72019	SJ Cox Enterprises, Inc.	26,288.58
72051	MTS Swope Motors	19,714.10
72052	Chris Cecil	171.31
72055	Phillips Brothers Construction, LLC	142,262.57
72058	Grassy Knoll, Inc.	2,960.32
72085	Fifth Third Bank	39,796.66
72092	Carlton Satellite Systems	135.00
72094	Corvin's Carpet	1,128.57
72100	Gemini Group, LLC	2,205.00
72101	Hach	5,312.50
72106	Kentucky Classified Network	768.65
72108	Martin & Associates	1,081.00
72110	Nalco Chemical Co.	12,524.40
72116	USA Bluebook	2,505.08
72118	Waterworks Supplies	8,010.19
72124	Metro United Way of Central KY	132.00
72140	PNC Advisors Retirement	23,318.22
72141	Radcliff Rotary Club	35.00
72185	Douglas Kasey	2,536.00
72186	Kenney, Inc.	80,178.70
72187	Kentucky Glass Lined Tank	7,380.00
72188	Phillips Brothers Construction, LLC	338,703.04
72189	SJ Cox Enterprises, Inc.	28,298.45
72191	Basham Lumber C.	1,896.80
72197	Hayes Pipe Supply, Inc.	1,402.85
72204	Quest Engineers, Inc.	420.00
72205	Radio Communications Systems	2,475.00
72247	Meredith & Son	8,486.62
72257	Swope Motors	772.08
72299	Lincoln Trail Regional	4,500.00
72307	Fifth Third Bank	12,226.91
72313	Gemini Group, LLC	2,501.60
72316	Jacobi Sales	224.38
72319	Moody's Investors Service	500.00
72322	Waterworks Supplies	14,792.00
72333	Kenney, Inc.	119,240.11
72334	Kentucky Glass Lined Tank	61,056.00
72336	Phillips Brothers Construction, LLC	145,695.72
72337	Quest Engineers, Inc.	234,221.14
72339	SJ Cox Enterprises, Inc.	10,392.97
72386	Kim Burns	1,402.70
72388	Elizabethtown Radiology	14.40
72396	Engineering Design Group	735.00
72400	Hayes Pipe Supply, Inc.	5,827.61
72403	Skeeters, Bennett and Wilson	7,400.92
72405	Waterworks Supplies	12,366.84
72415	The City of Radcliff	6,390.00

Check Number	Vendor	Amount
72445	Colonial	329.32
72470	B&W Metals	4,221.99
72472	Bart's Lawn Service	8,132.80
72480	Hartford Fire Insurance	2,508.00
72481	Hayes Pipe Supply, Inc.	12,065.16
72486	JP Morgan Securities, Inc.	831.78
72487	Kenney, Inc.	112,259.86
72489	Kentucky Glass Lined Tank	125,213.04
72493	Phillips Brothers Construction, LLC	114,545.03
72494	Quest Engineers, Inc.	9,707.42
72498	Skeeters, Bennett and Wilson	4,964.00
72499	Spatial Data Integrations, Inc.	2,800.00
72502	Waterworks Supplies	5,397.41
72503	Wemhoener Water Works	2,917.34
72560	High Tide Technologies	1,320.24
72592	Harris Computer Systems	450.00
72637	Hardin Memorial Hospital	1,000.24
72661	Bart's Lawn Service	7,053.10
72676	Quest Engineers, Inc.	1,425.00
72679	Southern Backhoe, Inc.	9,950.00
72681	Waterworks Supplies	217,434.87
72693	Kenney, Inc.	117,217.08
72694	Kentucky Glass Lined Tank	124,938.37
72695	Phillips Brothers Construction, LLC	129,297.91
72697	Staeffer Pump and Supply	3,240.00
72698	Waterworks Supplies	144,797.98
72718	PNC Advisors Retirement	74,107.96
72723	Treasurer of US	3,248.16
72756	Kenney, Inc.	21,971.03
72757	Kentucky Glass Lined Tank	69,779.29
72758	Phillips Brothers Construction, LLC	93,991.39
72806	Bart's Lawn Service	4,424.60
72819	Hayes Pipe Supply, Inc.	4,653.75
72825	Nalco Chemical Co.	12,658.80
72826	Quest Engineers, Inc.	9,168.13
72827	Reynolds, Inc.	10,304.91
72830	Southern Backhoe, Inc.	17,900.00
72836	Waterworks Supplies	13,629.78
72871	SJ Cox Enterprises, Inc.	3,420.00
72971	Frost, Brown, Todd	15,179.24
72977	HPP Industrial Sales	1,103.00
72978	J&K Communications	7,974.50
72985	Nalco Chemical Co.	12,742.80
72986	Sewell Industrial Electronics	24,606.36
72987	Southern Backhoe, Inc.	11,950.00
72992	Waterworks Supplies	79,293.43
73000	Kenney, Inc.	33,798.96
73001	Kentucky Glass Lined Tank	27,560.00
73003	Phillips Brothers Construction, LLC	82,178.77
73006	Bart's Lawn Service	5,566.00

Check Number	Vendor	Amount
73008	Meredith & Son	3,803.88
73161	Bart's Lawn Service	5,467.69
73167	Hayes Pipe Supply, Inc.	12,325.77
73175	Quest Engineers, Inc.	3,986.23
73180	Sewell Industrial Electronics	13,525.00
73183	Southern Backhoe, Inc.	9,600.00
73190	Waterworks Supplies	15,461.80
73192	Hardin County Waer Dist. #1	6,803.00
73194	Murrell Construction, Inc	44,975.46
73195	Kenney, Inc.	100,980.98
73196	Kentucky Glass Lined Tank	9,764.50
73197	Phillips Brothers Construction, LLC	121,340.39
73251	William Gossett	2,000.00
73317	All Country Paving	4,500.00
73319	Bart's Lawn Service	2,545.85
73330	J&K Communications	30,111.75
73342	Southern Backhoe, Inc.	19,275.00
73343	Temco, Inc.	2,681.00
73408	Waterworks Supplies	8,399.98
73414	Dickie Cecil	8,624.98
73415	The City of Vine Grove	4,882.50
73419	Highpoint Const, Inc.	9,868.36
73420	Joe Anderson	13,331.30



Beth O'Donnell
 Executive Director
 Public Service Commission
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Dated: February 2, 2007

cc: Parties of Record