

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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|--------------------------------------|---|---------------------|
| APPLICATION OF HARDIN COUNTY WATER |) | |
| DISTRICT NO. 1 FOR APPROVAL OF A |) | |
| CONTRACT WITH THE UNITED STATES ARMY |) | CASE NO. 2011-00416 |
| TO PROVIDE WATER SERVICE TO THE FORT |) | |
| KNOX MILITARY INSTALLATION |) | |

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

Pursuant to 807 KAR 5:001, Hardin County Water District No. 1 ("Hardin District") shall file with the Commission no later than November 30, 2011 the original and 10 copies of the following information, with a copy to all parties of record. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or 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. Hardin District shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Hardin District fails or refuses to furnish all or part of the requested information,

Hardin District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Provide each of the attachments, exhibits, and referenced documents that are listed in Section J of the Utility Service Contract.
2. Provide all correspondence between Hardin District and the United States Government and its representatives regarding the proposed transfer of ownership, operations, and maintenance of the Fort Knox potable water utility system.
3. Provide all internal memoranda, notes, presentations, and other documents in which Hardin District discussed, reviewed or analyzed proposed service to the Fort Knox Military Installation or acquisition of the Fort Knox potable water utility system.
4. Provide the minutes of each meeting of Hardin District's Board of Commissioners in which the proposed transfer of ownership, operations and maintenance of the Fort Knox potable water utility system was discussed.
5. Provide a map that shows all significant facilities of the Fort Knox potable water utility system, including treatment facilities, master meters, and transmission and large distribution mains, and their relationship to Hardin District facilities that are located outside the Fort Knox Military Installation.

6. a. State whether Hardin District considers the Fort Knox potable water utility system as currently operated by the United States Government to be a "utility" as KRS 278.010(3) defines "utility." Explain.

b. If Hardin District does not consider the Fort Knox potable water utility system as currently operated by the United States Government to be a "utility" as KRS 278.010(3) defines "utility," explain why KRS 278.020(5) requires Commission approval of the proposed transfer of ownership, operations and maintenance of the Fort Knox potable water utility system.

7. State whether Hardin District considers the Utility Service Contract with the United States Government to be an evidence of indebtedness. Explain.

8. State for each calendar year from 2000 to 2010 the amount of water produced at the Fort Knox water treatment plant and the amount of water sold or otherwise transferred to non-United States Government entities.

9. Provide all projections of future water usage of the Fort Knox Military Installation. For each estimate provided, state all assumptions used to derive these estimates.

10. Provide all reports, analyses, estimates and reviews regarding the Fort Knox potable water utility system deficiencies and required improvements that were prepared by or commissioned for Hardin District or provided to Hardin District by the United States Government.

11. Refer to Utility Service Contract, Section B.5, Schedule 2. Describe Hardin District's efforts to estimate the cost of each project. For each project, provide all estimates that Hardin District prepared or obtained prior to entering the contract.

12. Refer to Utility Service Contract, Section B.5, Schedule 2. Identify the projects for which Hardin District intends to apply to the Commission for a Certificate of Public Convenience and Necessity prior to commencing construction of the project. For each project for which Hardin District does not intend to request a Certificate of Public Convenience and Necessity, explain why not.

13. Identify all licenses, permits, and certifications that Hardin District must obtain and maintain to operate the Fort Knox potable water utility system.

14. a. State the number of water submeters on the Fort Knox potable water utility system that the United States Government currently maintains and operates.

b. State whether Hardin District expects the number of water submeters used for the Fort Knox potable water utility system to increase. Explain.

15. Refer to Utility Service Contract, Section C.3.5.

a. Describe Hardin District's rights to use water sources located within the Fort Knox Military Installation to serve Hardin District customers who are located outside that installation.

b. State whether, if Hardin District has a right to use water sources located within the Fort Knox Military Installation to serve other Hardin District customers, it must compensate the United States Government for such use. Explain.

16. Utility Service Contract, Section C.4, provides that "[w]ithin service area and upon the Government's request, the Contractor shall provide utility service to all existing and new customers." State whether the United States Government has identified potential new customers and such customers' expected use. If such

customers have been identified, provide all documents and materials related to this identification and estimate.

17. Refer to Utility Service Contract, Section C.4.1.

a. State whether the U.S. Government has agreed to permit Hardin District to use the acquired facilities to serve Hardin District customers who are not located on the Fort Knox Military Installation.

b. If the U.S. Government has agreed to permit Hardin District to use the acquired facilities to serve customers outside of the Fort Knox Military Installation, describe the terms of such permission and provide all documents that evidence such permission.

c. If the U.S. Government has not agreed to permit Hardin District to use the acquired facilities to serve Hardin District customers who are not located on the Fort Knox Military Installation, describe how other Hardin District customers will benefit from the proposed acquisition.

d. State Hardin District's current intentions regarding the use of the Fort Knox potable water utility system to provide water service to persons located outside the Fort Knox Military Installation.

e. State whether, if Hardin District serves customers located outside the Fort Knox Military Installation using portions of the Fort Knox potable water utility system, Hardin District will charge a rate that differs from that charged to customers served through its other distribution facilities. Explain.

f. Describe the effect on the Monthly Service Charge if Hardin District serves customers located outside the Fort Knox Military Installation using portions of the Fort Knox potable water utility system.

18. Describe Hardin District's plans, if any, to connect its existing distribution system to the Fort Knox potable water utility system.

19. Refer to Utility Service Contract, Section C.4.2.2.2.

a. Identify each lease to which this section refers, describe the nature of the lease, and state the date on which the lease ends.

b. Identify any additional leases that Hardin District expects it may enter into with third parties regarding the attachment of third-party equipment.

20. a. State whether Hardin District anticipates hiring additional employees or purchasing additional equipment to perform its duties under the Utility Service Contract.

b. If yes, identify the number of additional employees that Hardin District anticipates hiring and the nature and amount of additional equipment that it anticipates purchasing.

c. State whether, if additional equipment is purchased or additional employees are retained, the use of this equipment and employees will be restricted to the Fort Knox Military Installation.

21. State whether, under the terms of the Utility Service Contract, Hardin District is required to obtain outside sources of water to meet the demands of the Fort Knox Military Installation if the water sources or supplies within the military installation are insufficient to meet those demands.

22. State whether Hardin District has studied possible courses of action in the event the sources of water supply on the Fort Knox Military Installation are insufficient to meet the military installation's demand. If yes, describe these courses of action and provide all studies and reviews conducted on each course of action.

23. Describe Hardin District's plans to connect the Fort Knox potable water utility system to Hardin District's existing water distribution system.

24. Refer to Defense Energy Support Center, Request for Proposal SP0600-08-R-0803, Section J1 (August 2008) at J1-10. Describe the present status of the United States Government's plans to purchase "water from a local municipality to replace the potable water capacity at the Muldraugh WTP facility."

25. Refer to Hardin District Press Release of October 3, 2011, "Department of Defense Awards Contract to Operate Fort Knox Water System to Local Partnership."

a. Provide a copy of all agreements between Hardin District and Louisville Water Company ("LWC") for LWC to operate Fort Knox water system's water treatment plants.

b. State whether the United States Government has approved the agreement between Hardin District and LWC for the operation of the Fort Knox water treatment plants.

c. Provide all correspondence, memoranda, electronic mail messages, presentations, and any other documents or materials in which an agreement between Hardin District and LWC for the operation of Fort Knox water system's water treatment plants is discussed.

26. Refer to Utility Service Contract, Section B.3. For each charge listed below, describe how the charge was derived. Show all calculations, state all assumptions, and provide all workpapers used.

- a. Monthly Utility Service Charge – Year 1;
- b. Transition Charge; and,
- c. Initial System Deficiency Corrections Surcharge.

27. Refer to Utility Service Contract, Section B.4. Explain why the Monthly Service Charge increases after Year 2. State all assumptions used to determine the change in the Monthly Service Charge after Year 2.

28. Refer to Utility Service Contract, Section C.11.3.2(a).

a. State whether Hardin District and the United States Government have agreed upon a connection charge for new connections. If yes, state the amount of the charge and describe how the charge was developed. Show all calculations, state all assumptions, and provide all work papers used to derive the charge.

b. If Hardin District and the United States Government have yet to agree upon a connection charge for new connections, state whether the charge for each new connection will be subject to negotiation.

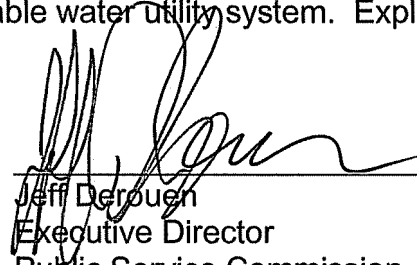
29. Describe the penalties that will be assessed against the United States Government for late payment of any of the charges set forth in the Utility Service Contract. This description should compare these penalties with those set forth in Hardin District's rate schedules currently on file with the Commission.

30. Explain why Hardin District believes that a deviation from 807 KAR 5:066 is necessary. Identify the specific subsection(s) of the administrative regulation for which Hardin District seeks a deviation.

31. State Hardin District's "point of service"¹ to the United States Government for water service provided under the provisions of the Utility Service Contract.

32. Identify each provision of the Utility Service Contract that imposes a requirement that conflicts with or differs from a requirement of KRS Chapter 278 or Title 807 of the Kentucky Administrative Regulations.

33. State whether KRS Chapter 74 authorizes Hardin District's proposed acquisition and operation of the Fort Knox potable water utility system. Explain.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602-0615

DATED: NOV 16 2011

cc: Parties of Record

¹ See 807 KAR 5:066, Section 1(5).

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