

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED ADJUSTMENT OF)
THE WHOLESALE WATER SERVICE RATES OF) CASE NO. 2017-00199
CENTRAL CITY MUNICIPAL WATER & SEWER)

COMMISSION STAFF'S FIRST REQUEST FOR
INFORMATION TO CITY OF CENTRAL CITY

Central City Municipal Water & Sewer ("Central City W&S"), pursuant to 807 KAR 5:001, is to file with the Commission the original with six copies in paper medium and an electronic version of the following information. The information requested herein is due on or before July 31, 2017. Responses to requests for information in paper medium 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 the 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.

Central City W&S 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 Central

City W&S fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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. When filing a paper containing personal information, Central City W&S shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. On July 10, 2017, Central City W&S filed the Testimony of Michael W. McGhee ("McGhee Testimony"), to which was attached as Exhibit 1 Central City W&S's Independent Auditor's Report ("Audit Report") for the year ended June 30, 2016 ("test year"). Provide copies of the two most recent independent auditor's reports that were issued prior to the test year.

2. Provide a copy of Central City W&S's chart of accounts.

3. Provide a copy of Central City W&S's Adjusted Trial Balance.

4. Provide a copy of Central City W&S's audit adjustments for the test year.

5. Provide a chart organizing the many accounts shown on the Adjusted Trial Balance provided in response to Item 3 into the condensed accounts shown in the Audit Report on pages 3 and 4. The chart shall include account titles as well as account balances.

6. Provide a copy of Central City W&S's test-year general ledger that:
- a. Shows the beginning and ending balance for each account shown on the Adjusted Trial Balance.
 - b. Shows each transaction entered into each account. The detail for each transaction shall include:
 - 1) The amount of the transaction;
 - 2) The date the transaction was posted to the account;
 - 3) The transaction's check number, if applicable;
 - 4) The transaction's journal entry number, if applicable;
 - 5) The vendor name associated with the transaction;
 - 6) A description of the transaction;
 - 7) An indication as to whether the transaction resulted from a direct assignment¹ or an allocation;² and
 - 8) The method of allocation, if applicable.

7. a. Provide a list of all departments operated by Central City's municipal government other than the Central City W&S, i.e., mayor's office, police department, fire department, parks and recreation, streets and roadways, sanitation, etc.

b. Identify all transactions that were entered into the General Ledger provided in response to Item 6 that were made to record transactions with each of the

¹ A directly assigned transaction is a transaction that benefited either the water operation or the sewer operation only and was, therefore, directly assigned, for reporting purposes, to an account of the operation benefiting from the transaction.

² An allocated transaction is a transaction that benefited more than one operation and was, therefore, allocated to accounts of multiple operations for reporting purposes using an allocation factor.

municipal departments identified in Item 7.a., including employee wages of other departments.

8. Describe the accounting procedures and internal controls Central City W&S has adopted to ensure that water accounts in the general ledger are not charged with transactions of sewer operations or other city departments.

9. List all names of those employed by Central City W&S during the test year.

For each employee state:

- a. Job title and brief description of duties;
- b. Whether part-time or full time;
- c. Whether dedicated entirely to water operations, sewer operations, or shared between water and sewer operations.
- d. Total wages paid during the test year showing the amount that was expensed and capitalized by the water division separate from the amount that was expensed and capitalized by the sewer division and to which general ledger accounts these amounts were posted. (Provide and explain the allocation factors used to separate wages between water operations and sewer operations for all shared employees identified in Item 9.c.);
- e. Test-year wage rate compared to the wage rates effective at the end of each of the four fiscal years that occurred prior to the test-year-end and the current wage rate. (For any employee no longer employed by Central City W&S, state whether the employee's position has been filled and, if so, provide the new employee's name and current wage rate).

10. With regard to insurance coverages provided by Central City W&S to its employees, i.e., health care, dental, vision, life, etc:

a. List all insurance coverages provided by Central City W&S to its employees, and state each insurance coverage that may be extended to the employee's family and dependents.

b. List the insurance coverages provided to each employee listed in response to Item 9, noting the level of coverage for each type of insurance, i.e., single, employee plus dependents, family, etc.

c. For each insurance coverage listed in response to Item 10.a., state separately the amount of the premium paid by Central City W&S and the amount of the premium paid by the employee.

d. For each insurance coverage listed in response to Item 10.a., provide the amount expensed and capitalized by Central City W&S during the test year and identify the general ledger accounts to which these amounts were posted.

11. Refer to the Audit Report, page 4.

a. Test-year "Depreciation" is stated at \$1,130,488. Provide the calculation of this amount in the most detailed format available. In the calculation, show separately the assets dedicated to water operations, the assets dedicated to sewer operations, and the assets commonly used by both operations.

b. Test-year "Other governmental support" is reported as a reduction to income in the amount of \$64,000. List the recipients of this amount, and describe the reasons Central City W&S incurred this cost.

c. Test-year Insurance proceeds are stated at \$11,004. Explain why these proceeds were received and whether they are related to water operations, sewer operations, or both.

12. Refer to the Audit Report, page 7.

a. "Total property, plant and equipment" and "Net property, plant and equipment" are reported as \$40,782,865 and \$27,943,811, respectively, as of the end of the test year. Provide a copy of Central City W&S's plant ledger, in the most detailed format available, that supports these amounts.

b. The Audit Report states that during the test year Central City W&S "expended \$1,149,304 in total on the various sewer improvement and water distribution projects." Provide a narrative description of each improvement project included in the \$1,149,304 and the amount expended on each improvement project.

13. Refer to the Testimony of David Rhoades ("Rhoades Testimony"), page 1, and to the Audit Report, page 9. Mr. Rhoades states that "Central City's water treatment plant is a regional facility." The Audit Report on page 9 states that Central City W&S issued \$14,450,000 United States Department of Agriculture Rural Development ("RD") Water and Sewer Revenue Bonds, Series 2012A and 2012B, to fund the expansion of the water treatment plant ("Expansion Project").

a. State the total cost of the Expansion Project. Separate the total cost by major plant component.

b. State how the total cost of the Expansion Project was funded.

c. State the reasons the Expansion Project was necessary.

d. List all project alternatives to the Expansion Project that were considered.

e. Provide all studies, analyses, and computations showing that the Expansion Project was the least-cost option to improve the "regional" water source compared to all alternatives identified in response to Item 13.d.

f. Provide a copy of the final engineering report detailing the specifications of the Expansion Project.

g. Provide a copy of the construction work in progress general ledger account detailing the accrual of the Expansion Project's total cost.

14. Refer to the Audit Report, pages 9 and 10. Central City W&S's long-term debts are listed as:

| | Original Amount | Balance Test-Year End |
|---|--------------------|-----------------------------|
| RD Bonds Series 2012A and 2012B | \$ 14,450,000 | \$ 14,257,500 |
| RD Bonds Series 2014 | 1,950,000 | 1,950,000 |
| Kentucky Rural Water Finance Corporation ("KRWFC") June 2013 | 895,000 | 800,000 |

a. Provide a copy of the Independent Auditor's work papers for long-term debts.

b. Provide a copy of the official amortization schedule provided by the lender for each debt instrument that shows the amount of each principal and interest payment separately and the payment due dates.

c. Provide a copy of all billing statements received by Central City W&S from RD and KRWFC requesting payment of principal and interest.

d. Provide a copy of the portion of all bank statements that show the automatic withdrawal from Central City's W&S debt service fund by RD and KRWFC for the payment of principal and interest.

e. Describe how Central City W&S expended the proceeds from the KRWFC loan in the amount of \$895,000.

f. Provide the ordinance, or resolution, for each long-term debt that includes the water and sewer rate covenants agreed to by Central City W&S.

15. Refer to the Audit Report, pages 11–15, where it states that Central City W&S participates in the County Employee Retirement System ("CERS").

a. Provide the journal entries made by Central City W&S to initially implement Governmental Accounting Standards Board Statement No. 68 ("GASB 68").

b. Provide the journal entries made by Central City W&S to account for the effects of GASB 68 in each reporting period occurring subsequent to the year of initial implementation of GASB 68.

c. Provide a description of all retirement benefits that Central City W&S provides to employees in addition to the CERS pension plan.

16. Refer to the Audit Report, page 15. Provide a copy of Central City W&S's contracts with Muhlenberg County Water District ("Muhlenberg") and Muhlenberg County Water District #3 ("Muhlenberg #3).

17. Refer to the Rhoades Testimony, page 3, where Mr. Rhoades states that "[t]he City Council has approved a second reading of the ordinance increasing the volumetric rate to its in-city customers by the same percentage as the increase to the wholesale rate."

a. Provide a copy of the Ordinance approved by the City Council when available.

b. Provide a table comparing the percentage of rate increases made to the "in-city" customers to the percentage increases made to the "wholesale" rate in each of the previous ten years.

c. State the number of "in-city" water customers served by Central City W&S at the end of the test year.

d. State the number of "in-city" sewer customers served by Central City W&S at the end of the test year.

18. For each of the previous ten years, provide a schedule showing for Central City W&S:

a. Total water produced and purchased;

b. Total water sold to in-city customers;

c. Total water sold to Muhlenberg;

d. Total water sold to Muhlenberg #3.

e. Total amount of water used by Central City's water treatment facilities ("plant use").

19. Provide annual water loss reports prepared by Central City W&S in each of the previous ten years.

20. Refer to the Rhoades Testimony, page 2. The maximum daily production capacity of Central City W&S's water treatment plant is stated at seven million gallons per day.

a. State separately the amount of the water treatment plant capacity that is reserved for Muhlenberg and Muhlenberg #3.

b. State the minimum and maximum quantity of water (in gallons) that Muhlenberg and Muhlenberg #3 may purchase in a month under the terms of its present water purchase contract with Central City W&S.

c. Describe the changes, if any, that Central City W&S expects within the next three years in the level of water treatment capacity reserved for Muhlenberg and Muhlenberg # 3.

21. State the maximum daily treatment capacity of Central City W&S's wastewater treatment plant.

22. Provide separately the gallons purchased from Central City W&S by Muhlenberg and Muhlenberg #3 in each of the previous 24 months.

23. a. For all water mains in Central City W&S's system, complete the table below. Add larger main sizes if necessary.

| Water Main Size | Total Miles Of Line | Miles Of Lines Used By Central City W&S To Serve Its Wholesale Customers |
|------------------------|----------------------------|---|
| 16" | | |
| 14" | | |
| 12" | | |
| 10" | | |
| 8" | | |
| 6" | | |
| 4" | | |
| 2" | | |

b. Identify the persons or entities that paid for the water main(s) that Central City W&S uses to deliver water to Muhlenberg and Muhlenberg #3.

24. a. State separately the number of master meters that Central City W&S uses to provide wholesale water service to Muhlenberg and Muhlenberg #3.

b. State the owner of the master meters identified in response to Item 24.a.

c. State the party who is responsible for maintaining the master meters identified in response to Item 24.a.

25. Provide a system map showing all of Central City W&S's facilities that are used to serve Muhlenberg and Muhlenberg #3. This map shall, at a minimum, show all master meters, pumping stations, storage tanks, water transmission mains, and water distribution mains used to serve Muhlenberg and Muhlenberg #3. The size of all mains shall be clearly indicated on this map.

26. State the portion, if any, of Central City W&S's water main(s) that serve Muhlenberg and Muhlenberg #3 that are gravity fed.

27. a. List Central City W&S's water sales (in gallons) for each of the previous 36 months for each of its wholesale customers and for its retail customers.

b. List the total amount billed by Central City W&S for water service for each of the previous 36 months to each of its wholesale customers and to its retail customers.

28. Provide Central City W&S's current rate schedule for its retail customers and for each of its wholesale customers.

29. a. State whether Central City W&S provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments, fire protection services).

b. If unmetered service is provided, estimate the percentage of the total unmetered amount for each entity or type of service.

30. Refer to the McGhee Testimony, page 3, and state whether the 21.2 percent proposed increase will be applied to the minimum bill rates for Central City's retail customers.

31. a. State whether the proposed rate increase includes an adjustment for rate case expenses incurred in this proceeding.

b. If the rate increase does not include an adjustment for rate case expenses, state whether Central City W&S will seek an adjustment to recover expenses incurred in litigating this proceeding.

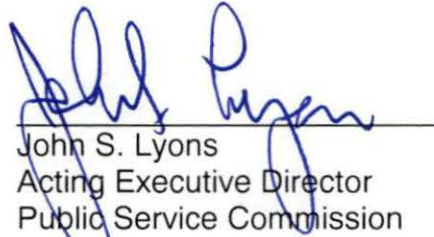
c. If Central City W&S will seek an adjustment to recover expenses incurred in litigating this proceeding, provide all actual and estimated rate case expenses.

32. Provide the ordinance or resolution of the Central City W&S City Council in which the proposed wholesale rate adjustment was approved.

33. Provide the minutes of each meeting of the Central City W&S City Council since January 1, 2013, in which a proposed rate adjustment to Central City W&S's wholesale customers was discussed.

34. Provide a copy of all documentation, correspondence, electronic mail messages, or other written communications between Central City W&S and its wholesale

customers since January 1, 2013, regarding revisions to Central City W&S's wholesale rate.



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Public Service Commission
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DATED **JUL 19 2017**

cc: Parties of Record

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