

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER)	
DISTRICT NO. 1 FOR A DECLARATORY)	CASE NO.
ORDER THAT PROPOSED WATERWORKS)	2019-00067
IMPROVEMENTS TO MAINTAIN ADEQUATE)	
AND RELIABLE WATER SERVICE TO THE)	
FORT KNOX MILITARY INSTALLATION DO)	
NOT REQUIRE A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY)	

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

Hardin County Water District No. 1 (Hardin District No. 1), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 8, 2019. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

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.

Hardin District No. 1 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 No. 1 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 respond completely and precisely.

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, Hardin District No. 1 shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide a copy of Contract No. SP0600-11-8271 between Hardin District No. 1 and the Defense Logistics Agency Energy (DLAE) and any amendments thereto (hereinafter collectively the Contract). If any portion of the Contract has previously been filed with the Commission, Hardin District No. 1 may refer to those filings for those portions of the contract in lieu of refiling them herein.

2. Identify those portions of the Contract that discuss how Fort Knox, DLAE, or other customers in Fort Knox will be billed for water service and sewage service by Hardin District No. 1, and briefly explain how Hardin District No. 1 bills Fort Knox, DLAE, and other customers in Fort Knox in practice, e.g., is there a single contract practice paid

by DLAE, multiple contract rates paid by DLAE, multiple rates paid by different parties, etc.

3. State whether Hardin District No. 1 maintains separate books for the water and sewage service it provides in Fort Knox pursuant to the Contract as compared to the water and sewage service it provides outside Fort Knox.

4. State whether and, if so, explain why (or why not) an increase in the cost to serve customers inside Fort Knox pursuant to the Contract could result in increased rates for customers served by Hardin District No. 1 outside Fort Knox.

5. Refer to Hardin District No. 1's application at paragraph no. 14 in which it indicated that the Commission previously identified 7 of 23 proposed projects as requiring a Certificate of Public Convenience and Necessity (CPCN).

a. State whether any of those projects previously identified as requiring a CPCN are included in the revised plan for which Hardin District No. 1 requests a declaratory order herein.

b. If so, state what if anything has changed that would justify the Commission changing its holding in the previous order that a CPCN is required.

6. Refer to Hardin District No. 1's application at paragraph no. 12 in which Hardin District No. 1 indicates that the Contract originally permitted it to charge a monthly Initial System Deficiency Corrections Surcharge (ISDC Surcharge) of \$473,831 to compensate Hardin District No. 1 for the estimated cost of improvements.

a. State the total amount of proceeds from the IDSC Surcharge that have been collected regardless of whether they have been used.

b. State the total amount of proceeds from the IDSC Surcharge that remain unused.

7. Refer to the application at paragraph no. 18 in which Hardin District No. 1 stated that the contract modification provided that the "ISDC" would not be renewed and would terminate upon the fifth anniversary of the contract's execution.

a. State whether the "ISDC" as referred to in that paragraph is referring to the Initial System Deficiency Corrections Surcharge of \$473,831 referred to in paragraph no. 12 of the application.

b. If not, explain what Hardin District No. 1 was referring to in that paragraph when it stated that the "ISDC" would not renew and would terminate.

c. State the month and year for which the ISDC Surcharge was first charged.

d. State the month and year for which the ISDC Surcharge was last billed.

e. If the ISDC Surcharge has terminated or will terminate under the current terms of the contract, explain how Hardin District No. 1 anticipates funding capital projects to serve Fort Knox when the proceeds from the ISDC Surcharge have been exhausted.

8. Refer to the application at paragraph no. 17 and Tab 3 (Hardin District No. 1's June 3, 2016 submittal to DLAE) at Table 2 in which Hardin District No. 1 identified the total estimated cost of the 18 projects of the revised proposal as costing \$16,456,000.

a. State whether Hardin District No. 1 has incurred any portion of the cost for each such project, and if so, identify the portion of the cost incurred for each such project in terms of engineering, design, permitting, construction, and inspection costs.

b. Identify and describe the similar projects on which the construction cost for each project was based as described in section 2.1 of the proposal, and identify the actual construction cost for each such project.

c. State whether and, if so, explain why Hardin County No. 1 contends that the estimates for the projects identified in Table 2 of Tab 3 are still valid despite being made in or before June 2016.

d. Explain what prompted the change in the estimated cost of projects 2 and 3 of Table 2 of Tab 3.

e. State whether Hardin District No. 1 or its engineer has modified the estimated cost of any project identified in Table 2 of Tab 3, and if so, provide the new estimated cost and explain why the estimated cost of each such project was modified.

9. Refer to Section 1.3 of the Firm Fixed Price Proposal Submittal attached as part of Tab 3 to Hardin District No. 1's application.

a. Explain in detail how the \$4,367,896 in unfunded capital projects contained in an earlier version of the proposal was funded in the final version of the proposal e.g. were specific projects removed and replaced to fund that amount; were new savings found and if so where; etc.

b. Explain what amounts are included in Hardin District No. 1's "Fort Knox Water Fund reserves" as that term is included in Section 1.3 of the proposal.

10. Refer to Hardin District No. 1's application at paragraph no. 28 in which Hardin District No. 1 indicates that its total net water utility plant as of December 31, 2017, is \$53,388,858.23 and its total net utility as of December 31, 2017, is \$98,278,781.

a. State whether the plant in service identified in that paragraph includes all plant used to serve Fort Knox as of December 31, 2017.

b. State whether Hardin District No. 1 took ownership of the plant in service used to serve Fort Knox when it entered into the Contract.

c. Provide a copy of the December 31, 2017 financial statement identified in footnote 23 of Hardin District No. 1's application.

d. Provide the cost basis of the plant in service used to serve Fort Knox pursuant to the Contract to the extent it is not shown in the financial statement above.

11. Refer to the letter dated June 3, 2016, from Hardin District No. 1 to DLAE, which is the first page of Tab 3 (Hardin District No. 1's June 3, 2016 submittal to DLAE), in which Hardin District No. 1 discusses the estimated cost of the revised projects and states that "[t]his Proposal remains valid offer until August 1, 2016."

a. State whether Hardin District No. 1 indicated that the Proposal would only remain valid through August 1, 2016, in part, because it did not want to be bound by cost estimates that would become stale through the passage of time.

b. If not, explain why Hardin District No. 1 indicated that the proposal would expire on August 1, 2016.

c. State whether Hardin District No. 1 contends that the estimated costs of the capital projects are still valid, and explain the basis for Hardin District No. 1's response.

d. Explain why Hardin District No. 1 made the revised proposal to DLAE on June 3, 2016, and indicated that the proposal would expire on August 1, 2016, but had not started construction on the projects as of the date of filing the application in this matter.

12. For each project identified in Table 2 of Tab 3, state whether the project will result in an increase in operating and maintenance expenses, and provide a breakdown of the expected change in operating and maintenance expenses arising from each project.

13. If Hardin District No. 1 is not able to complete the proposed capital projects at issue with the remaining proceeds from the ISDC Surcharge, explain how Hardin District No. 1 will finance the construction of those projects.

14. Refer Modification P00029 to Contract SP0600-11-C-8271 at page 5 of 5 which indicates that “no additional funding is required for this modification” because Hardin District No. 1 proposed to modify the Contract by removing “ISDC #'s 8, 9, 20, 21-2, 21-3, 11-3, 18, 24, 25, 26, 11-4, 15, 6, 11-5, 23-5, and 35 from the list of currently approved and funded ISDCs in accordance with section C.II.2.5 of its Utility Privatization (UP) contract with the Government.”

a. State whether Hardin District No. 1 has a contractual obligation, including any conditional obligation, to complete any of the capital projects identified above as being removed.

b. If so, describe how those capital projects will be funded.

15. Refer to the table entitled Proposed Projects as a Percentage of Net Utility Plant attached as a part of Tab 6 of the application.

a. Explain why Project No. 6 has been struck through on that table.

b. Provide a brief description of each project and an explanation, commensurate with the estimated cost of each project, of why each project is necessary to provide adequate service to Fort Knox.



Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED APR 23 2019

cc: Parties of Record

*David T Wilson
Skeeters, Bennett, Wilson & Humphrey
550 W. Lincoln Trail Boulevard
Radcliff, KENTUCKY 40160

*Hardin County Water District #1
1400 Rogersville Road
Radcliff, KY 40159-0489

*Stephen M. Hogan
General Manager
Hardin County Water District #1
1400 Rogersville Road
Radcliff, KY 40160