

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)	CASE NO.
WATER SERVICE RATES OF PRINCETON)	2019-00444
WATER AND WASTEWATER)	

ORDER

On November 27, 2019, Princeton Water and Wastewater (Princeton) filed with the Commission a revised tariff sheet setting forth proposed adjustments to its existing rates for wholesale water service to Caldwell County Water District (Caldwell District) and Lyon County Water District (Lyon District) effective on January 1, 2020. On December 13, 2019, Caldwell District and Lyon District each submitted a letter, through counsel, protesting the proposed rate adjustment and requesting that the Commission open a formal proceeding to investigate the reasonableness of the proposed rate.¹ The Commission issued an Order on December 20, 2019, establishing a formal proceeding, suspending the effective date of the proposed rates for five months up to and including May 31, 2020, making Caldwell District and Lyon District parties to the proceeding and providing others until January 10, 2020, to intervene.

To facilitate the production of evidence supporting the reasonableness of Princeton's proposed wholesale rates, the Commission has prepared the request for

¹ KRS 278.200 provides only for a hearing "in the manner prescribed in this [KRS 278] chapter." Pursuant to KRS 278.190(1), "[t]he commission may, upon its own motion, or upon complaint . . . hold a hearing concerning the reasonableness of the new rates." Thus, a hearing is not required. The filing of a revised tariff by a municipal utility "requires an opportunity for a hearing by the Commission before the proposed revision can become effective" Case No. 2011-00419, *Proposed Revision of Rules Regarding the Provision of Wholesale Water Service by the City of Versailles to Northeast Woodford Water District* (Ky. PSC Aug. 12, 2014) Order at 11.

information, attached hereto, and established the attached procedural schedule. Princeton shall respond to the requests for information attached hereto on or before January 24, 2020. The parties shall follow the procedural schedule, attached hereto, to facilitate the orderly administration of this matter.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein, shall be followed in this proceeding.

2. The information requested in Appendix B to this order shall be filed by January 24, 2020.

3. Responses to requests for information, including those set forth in Appendix B, shall be appropriately bound, tabbed, and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record, and the original and six copies to the Commission.

a. 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.

b. Any party 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 not incorrect in any material respect.

c. For any request to which a party fails or refuses to furnish all or part of the requested information that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

d. 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.

e. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

4. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

5. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video transcript shall be made of the hearing.

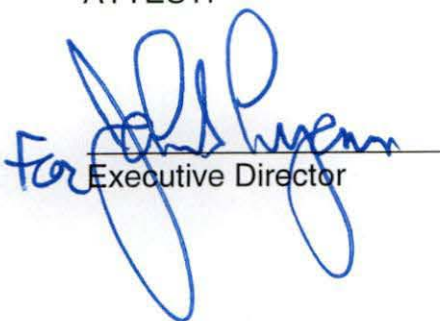
6. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

7. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission

ENTERED
JAN 10 2020
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2019-00444

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00444 DATED **JAN 10 2020**

Princeton shall file its response to the Commission's request
for information attached hereto no later than 01/24/2020

Intervenors and Commission Staff shall serve the first request for information
upon Princeton no later than..... 02/07/2020

Princeton shall file with the Commission and serve upon all parties
of record its responses to the first set of request for information
no later than..... 02/21/2020

Intervenor testimony, if any, shall be filed with the Commission
and served upon all parties of record in verified prepared form
no later than..... 03/06/2020

Parties and Commission Staff shall serve requests for information
upon Intervenors no later than 03/20/2020

Intervenors shall file with the Commission and serve upon all other parties
of record and Commission Staff their responses to requests for information
no later than..... 04/03/2020

Public Hearing at the Commission's offices at 211 Sower Boulevard, Frankfort,
Kentucky, for the purpose of cross-examination of witnesses To Be Announced

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2019-00444 DATED **JAN 10 2020**

1. Provide in written verified form the direct testimony of each witness that Princeton intends to rely on in this matter.
2. Provide the independent auditor's reports for Princeton for the fiscal years ending in 2017, 2018, and 2019.
3. Provide the 12-month test year upon which Princeton bases its proposed rate adjustment and explain why this test year was chosen.
4. Explain whether Princeton is using a historical or forecasted test year.
 - a. If historical, provide Princeton's general ledgers for the proposed test year and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions. If available, provide a copy of the requested general ledgers in Excel spreadsheet format with all rows and columns unprotected and accessible.
 - b. If forecasted, provide Princeton's general ledger for the most recently concluded fiscal year, all support documents for the base year, and for assumptions and inputs used in the forecast. These support documents will include all check registers and spreadsheets used to record and track financial transactions. If available, provide a copy of the requested general ledger in Excel spreadsheet format with all rows and columns unprotected and accessible.

5. Provide an adjusted trial balance and audit adjustments for the proposed test year and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.a and 4.b.

6. For each outstanding revenue bond issuance related to Princeton's operations, provide:

- a. The bond ordinance or resolution authorizing its issuance;
- c. An amortization schedule;
- d. A detailed explanation of why the debt was incurred; and
- e. A calculation of the annual debt service payment, including all required payments to debt service reserve accounts or funds, for each of the next three years.

7. List all persons on Princeton's payroll during the proposed test year. For each employee, state their job duties, total wages paid during the fiscal year, current salary or wage rate, and the percentage of work hours spent performing duties for each city division (e.g., water, sewer, police department, public works) during the fiscal year. If Princeton's records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how Princeton derived the estimate.

8. For each employee listed in Item 7 above, describe how Princeton allocated their payroll and payroll overhead charges to each city division for the proposed test year. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

9. Using a table format, provide the following actual full-year salary information for each employee listed in Item 7 above, identified by employee number and job title, for the fiscal years 2015 through 2019 (in gross dollars—not hourly or monthly rates). The employee salary information for each year shall be provided in a separate table. Provide the requested tables in an Excel spreadsheet format with all columns and rows unprotected and accessible.

- a. Regular salary or pay.
- b. Overtime pay.
- c. Vacation payout.
- d. Standby/Dispatch pay.
- e. Bonus pay.
- f. Other amounts paid and reported on the employees' W-2 (specify).

10. Using a table format, provide the regular hours and overtime hours for each employee listed in Item 7 above, for the fiscal years 2015 through 2019. The employee time information for each year shall be provided in a separate table. Provide the requested table(s) in an Excel spreadsheet format with all columns and rows unprotected and accessible.

11. Using a table format, provide the following actual full-year benefit information for each employee listed in Item 7 above, identified by employee number and job title, for the fiscal years 2015 through 2019. The employee's benefit information for each year shall be provided in a separate table. Provide the requested tables in an Excel spreadsheet format with all columns and rows unprotected and accessible.

- a. Health care benefit cost for each employee.

- (1) Amount paid by Princeton.
- (2) Amount paid by each employee.
- b. Dental benefits cost for each employee.
 - (1) Amount paid by Princeton.
 - (2) Amount paid by each employee.
- c. Vision benefits cost for each employee.
 - (1) Amount paid by Princeton.
 - (2) Amount paid by each employee.
- d. Life insurance cost for each employee.
 - (1) Amount paid by Princeton.
 - (2) Amount paid by each employee.
- e. Accidental death and disability benefits for each employee.
 - (1) Amount paid by Princeton.
 - (2) Amount paid by each employee.
- f. Defined Contribution - 401 (k) or similar plan cost for each employee.

Provide the amount paid by Princeton.

- g. Defined Benefit Retirement cost for each employee.
 - (1) Amount paid by Princeton.
 - (2) Amount paid by each employee.
- h. Cost of any other benefit available to an employee (specify).

12. Provide a listing of all health care plan categories available to Princeton's employees, i.e., single, married no dependents, single parent with dependents, family,

etc. For each employee listed in Item 7 above, identify the type of health insurance coverage the employees are provided.

13. a. List all joint or shared costs that Princeton incurred during the proposed test year. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among divisions for the proposed test year.

c. Provide all internal memorandums, policy statements, correspondence, and documents related to the allocation of joint and shared costs.

14. Provide depreciation schedules for the water division. A separate schedule shall be provided for each division.

15. Provide the "Enterprise Funds Uniform Financial Information Report" that Princeton submitted to the Kentucky Department of Local Government for the fiscal years ending in 2017, 2018, and 2019.

16. a. Identify all persons or entities to which Princeton provides wholesale water service.

b. For each customer listed above, provide for each of the previous 24 months its monthly water usage and the amount that Princeton charged it for service.

17. a. Complete the table below:

<u>Water Main Size</u>	<u>Total Miles Total Miles of Line</u>	<u>Miles of Line Used by Princeton to Serve Wholesale Customers</u>
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Explain who pays for the water main(s) that Princeton uses to deliver water to Princeton's wholesale customer(s).

18. Provide the maximum capacity of Princeton's water treatment plant.

a. For each of the customers listed in response to Item 16.a, state:

(1) The amount of Princeton's total water treatment plant capacity currently reserved for that customer; and

(2) The minimum and maximum quantity of water (in gallons) that the customer may purchase in a month under the terms of its present water purchase contract with Princeton.

b. Describe the changes, if any, that Princeton expects within the next three years in the level of water treatment capacity reserved for each of the customers listed in Item 12(a), and state the reason(s) for Princeton's expectations.

c. Identify the owner of the master meter(s) through which Princeton provides water to the customers listed in Item 16.a. Include the numbers of master meters that Princeton provides wholesale water service to each of the wholesale customers, and

identify the party responsible (Princeton or wholesale customer) for maintaining these master meters.

19. Provide a system map showing all of Princeton’s facilities that are used to serve the wholesale customers listed in Item 16.a. This map shall show, at a minimum, all master meters, pumping stations, storage tanks, water transmission mains, and water distribution mains used to serve the customers listed in Item 16.a. The size of all mains shall be clearly indicated on this map.

20. Provide the portion, if any, of Princeton’s water main(s) that serve the wholesale customers listed in Item 16.a and are gravity fed.

21. a. List Princeton’s water sales (in gallons) for each month of the test year and for the previous 24 months for each of its wholesale customers and for its retail customers.

b. List the total amount billed by Princeton for water service for each month of the test year and the previous 24 months to each of its wholesale customers and to its retail customers.

22. Provide Princeton’s current rate schedule for its retail customers and for each of its wholesale customers.

23. Complete the table below:

Princeton	Gallons for Test Period	Gallons for Fiscal Year Ending June 30, 2018
Plant Use		
Line Loss (Unaccounted for)		
Retail Sales		
Sales to Lyon District		
Sales to Caldwell District		
Sales to Other Wholesale Customers		
Total Produced and Purchased		
Total Sold		

24. State whether Princeton provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments or protection services). For each type of unmetered service, estimate the percentage of the estimated unmetered gallons provided in the test year.

25. Provide a copy of the cost-of-service study (COSS), if any, upon which the proposed rate is based in Excel spreadsheet format with all columns and rows accessible and all formulas unhidden.

a. Identify the person who prepared the COSS, if any, upon which the proposed rate is based.

b. Provide the preparer's *curriculum vitae*.

c. List all cases before the Commission in which the preparer has submitted a COSS.

d. List all utilities (municipal or public) for which the preparer has prepared a COSS. For each utility, identify the type of utility service (water or sewer) for which the report was prepared.

26. If the proposed rate is not based upon a COSS, describe how Princeton determined the proposed wholesale rate and state who participated in the determination. Provide all supporting documentation for the proposed rate.

27. Provide the ordinance or resolution of the city council or similar governing body in which the proposed rate adjustment was approved.

28. Provide the minutes of each city council meeting in calendar years 2017, 2018, and 2019 in which a proposed rate adjustment to Princeton's wholesale customers was discussed.

29. Provide a copy of all correspondence, electronic mail messages, or other written communications between Princeton and its wholesale customers since January 1, 2017, regarding revisions to Princeton's wholesale rates.

30. Provide all contracts and amendments, if any, for water service between Princeton, Lyon District, or Caldwell District that have not been filed with the Commission.

31. State the annual effect of the proposed rate adjustment on Princeton's revenues from wholesale water service to each of its wholesale water service customers. Show all calculations made and state all assumptions used to derive this response. Provide this in Excel spreadsheet format with all rows and columns accessible and formulas unhidden.

32. Refer to Princeton's November 27, 2019 revised tariff sheet, Water Treatment Schedule. For each item listed in the table below provide: (1) a detailed description; (2) an explanation as to why it should be included as a water treatment cost; (3) the amount of each cost allocated to the wholesale customers; (4) an explanation as to why the cost should be recovered from Princeton's wholesale customers; and (5) a supporting workpaper showing how Princeton calculated each item.

	Description	Audited Actual 06/30/19
a.	50% Unallocated Commission Expense	\$ 12,015
b.	50% Superintendent & Finance	\$ 93,678
c.	Repair & Maintenance Reserve	\$ 12,100
d.	Maintenance Allocation	\$ 263,054
e.	Chemical & Gas Inventory Adjustment	\$ 24,618

33. Provide a copy of the affordability study completed by the University of North Carolina Environmental Finance Center that Princeton referenced in its November 27, 2019 revised tariff sheet filing.

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