

PSC CASE NO. 2012-000520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
RESPONSES TO KENTUCKY-AMERICAN WATER COMPANY'S
DATA REQUESTS FOR INFORMATION

Witness: William O'Mara

1. Please describe fully LFUCG's efforts to select vendor(s) to perform the billing services that KAW had previously provided. As part of this response:
 - (a) Explain fully how LFUCG conducted the selection process;
 - (b) Provide a timeline of the selection process;
 - (c) List the names of the persons involved in the selection process;
 - (d) State whether LFUCG selected the least cost provider(s); and
 - (e) Explain fully how LFUCG attempted to minimize the cost of the billing services.

Response:

In late August or early September of 2011, LFUCG retained the services of RFP Company to assist it with drafting Request for Proposals ("RFP") to select entities to provide billing and collection services and project management services related to the billing transformation.

LFUCG issued RFP #40-211 Billing & Collection Services – Sewer, Landfill & Water Quality Fees, and a separate RFP to select a Project Manager (RFP #43-2011 Project Manager – Billing & Collection Services). The posting of RFP #40-2011 took place on November 10, 2011, with the responses due by December 8, 2011. The posting of RFP #43-2011 took place on November 21, 2011, with the responses due by December 7, 2011.

LFUCG awarded RFP #43-2011 on December 19, 2011 to Utility Planning Network.

LFUCG held an initial selection committee meeting on RFP #40-2011 on December 20, 2011, which resulted in "short listing" 2 firms for further consideration – Vertex Business Services and Greater Cincinnati Waterworks. The selection committee was comprised of Councilmember Kevin Stinnett, Director of Budgeting Ryan Barrow, Administrative Officer Senior Brad Stone, Commissioner of Finance Jane Driskell, Revenue Supervisor Candice Deininger, Buyer Senior Todd Slatin, and Director of Revenue Bill O'Mara.

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LFUCG held a final selection committee meeting on January 24, 2012. The selection committee was comprised of Councilmember Kevin Stinnett, Director of Budgeting Ryan Barrow, Administrative Officer Senior Brad Stone, Commissioner of Finance Jane Driskell, Revenue Supervisor Candice Deininger, Buyer Senior Todd Slatin, Director of Revenue Bill O'Mara, and Marisa Miralles, a non-voting participant affiliated with LFUCG's Project Manager Utility Planning Network.

Greater Cincinnati Waterworks ("GCWW") was selected as the preferred vendor on January 26, 2012 subject to final approval of the selection and agreement by the Urban County Council, which took place on March 8, 2012.

LFUCG selected the vendor with best overall response, which was also the total least cost vendor.

LFUCG negotiated the final contract with GCWW with the assistance of its Project Manager, Utility Planning Network.

The costs were minimized though using open competition and retaining professional assistance

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2. Following notification that KAW would no longer provide billing services to LFUCG, please state whether LFUCG issued requests for proposals or solicited bids for billing services and printing and mailing services.
- (a) If the answer is yes, please provide a copy of the request(s) for proposals or bid solicitation(s).
 - (b) If the answer is yes, please explain fully how LFUCG advertised the request(s) for proposals and/or solicited bids, or otherwise notified potential vendors of the need for billing services and printing and mailing services.

Response:

Yes. See response to Data Request No. 1, above. A copy of RFP #40 2011 is attached. LFUCG posted a separate bid for printing and mailing services (Bid #67-2012 (Print & Mail Services – Sewer, Landfill & Water Quality Fees) on May 9, 2012 and selected the vendor on June 15, 2012, subject to final approval by the Urban County Council. A copy of Bid #67-2012 is attached.

RFP #40-2011 was posted on the LFUCG procurement website at <https://lfucg.economicengine.com>. More than sixteen hundred (1600) vendors in the categories of account monitoring and collection, consulting and professional services were notified via e-mail when the RFP document was posted. Ninety-seven (97) vendors in these categories viewed and downloaded the RFP document. Responses to the RFP were received from eight (8) vendors.

Bid #67-2012 was advertised in the Lexington Herald-Leader and posted on the LFUCG procurement website at <https://lfucg.economicengine.com>. Three hundred and ninety-seven (397) vendors in the categories of courier & mailing services and printing were notified via e-mail when the bid document was posted. Seventy (70) vendors in these categories viewed and downloaded the bid document. Responses to the bid were received from twelve (12) vendors.

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Witness: **William O'Mara**

3. Following notification that KAW would no longer provide billing services to LFUCG, please identify each and every entity that LFUCG considered utilizing for billing services and printing and mailing services.

Response:

LFUCG considered all of the entities which submitted responses to the RFP or bid.

The following entities submitted responses to RFP #40-2011 – Universal Account Services, United Resources Systems, Greater Cincinnati Water Works, Vertex Business Services, Enco Utility Services, Best Practice Systems, Inc., Utility Business Services, Inc./OP Solve, LLC. And Utility Outsourcing Specialists.

The following entities submitted responses to Bid #67-2012 – Sure Bill, Cash Cycle Solutions, Pinnacle Data Systems, KUBRA Data Transfer, Data Marketing Network, Source Link Ohio, Best Practice Systems, Datamatx, Level One, QuestMark Information Management, United Mail and Bluegrass Mailing, Data and Fulfillment Services.

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Witness: **William O'Mara/ Legal Objections David Barberie**

4. To the extent not provided in response to Item No. 3, please identify each and every entity that contacted LFUCG, whether in writing or otherwise, regarding providing billing services or printing or mailing services to LFUCG.

Response:

LFUCG objects to this request as it is overly broad and unduly burdensome. Without waving its stated objections, based upon reasonable inquiry LFUCG is not aware of any other entities other than those listed in Item No. 3, above, other than a telephone contact with a company which was recommended by KAW. LFUCG is unable to recall the name of the company but reasonably believes that it was also one of the vendors who viewed and downloaded RFP #40-2011.

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5. Please provide a copy of all documents, including but not limited to email, electronic files, and documents in paper medium in the possession of LFUCG, its Council Members, LFUCG's Mayor's office, or LFUCG's Vice-Mayor's office that refer or relate to the analysis and/or scoring of bids, bid tabulations, or responses to request(s) for proposals for billing services and printing and mailing services.

Response:

LFUCG objects to this request as it is overly broad and unduly burdensome and would call for information protected by the attorney client privilege and/or work product doctrine. LFUG further objects as the majority of the documents requested have no relevance to this case.

Without waving its stated objections, LFUCG has made reasonable efforts to obtain all such documents. The respective bid tabulation sheets for the RFP and bid are attached. The responses to the RFP and bid are provided as LFC_R_KAW_EX_#5A1-7 and 5B1-8. It is also possible that some of the documents provided by LFUCG in response to Commission Staff's First Request for Information, Question No. 4 are responsive.

RFP #40-2011 - Billing & Collection Services - Sewer, Landfill & Water Quality Fees																			
Consultant/Vendor Name:			Universal Account Services		Unifed Resource Systems		Greater Cincinnati Waterworks		Vertex Business Services		ENCO Utility Services		Best Practice Systems		Utility Business Services/OP Solve		Utility Outsourcing Specialists		
Selection Criteria	Notes	Total Points	Score(1-5)	Weighted Score	Score(1-5)	Weighted Score	Score(1-5)	Weighted Score	Score(1-5)	Weighted Score	Score(1-5)	Weighted Score	Score(1-5)	Weighted Score	Score(1-5)	Weighted Score	Score(1-5)	Weighted Score	Comment
Specialized experience and technical competence of the staffing of the firm with the type of service required.		30	5	114	5	108	5	186	5	186	5	126	5	120	5	84	5	156	Weighted Score= (Total Points/5)xScore
Capacity of the staffing of the firm to perform the work, including any specialized services, within the time limitations.		5	5	17	5	18	5	33	5	33	5	21	5	20	5	15	5	21	Weighted Score= (Total Points/5)xScore
Character, integrity, reputation, judgment, experience and efficiency of the staffing of the firm.		5	5	17	5	19	5	33	5	28	5	23	5	21	5	14	5	23	Weighted Score= (Total Points/5)xScore
Past record and performance on contracts with the Urban County Government or other governmental agencies and private industry with respect to such factors as control of cost, quality of work, and ability to meet schedules;		30	5	84	5	78	5	132	5	126	5	90	5	72	5	66	5	96	Weighted Score= (Total Points/5)xScore
Familiarity with the details of the project.		5	5	15	5	16	5	33	5	28	5	19	5	13	5	12	5	25	Weighted Score= (Total Points/5)xScore
Degree of local employment to be provided by the person or firm.		5	5	5	5	4	5	4	5	10	5	5	5	5	5	5	5	5	Weighted Score= (Total Points/5)xScore
Estimated cost of services.		20	5	56	5	56	5	104	5	52	5	68	5	64	5	36	5	72	Weighted Score= (Total Points/5)xScore
Final Technical Score		100	35	308	35	299	35	525	35	464	35	352	35	315	35	232	35	398	

		Sure Bill	Cash Cycle Solutions	Pinnacle Data Systems	KUBRA Data Transfer	Data Mktg Network	Source Link Ohio	Best Practice Systems	Datamatx	Level One	QuestMark Info Mgt	United Mail	BlueGrass Mailing
18	a) Total of Offeror and Sub-Offeror expenses. (In your response, identify each project team member with hourly rate, estimated hours, and expenses if applicable. Note that travel hours are not billable.)	none	none	\$0.000	included	\$0.000	included	\$0.000	included	NA	no charge	NA	\$0.000
19	b) Estimated incidental costs (e.g., telephone, administrative, etc.).	none	none	\$0.000	included	\$0.000	included	\$0.000	\$0.000	NA	no charge	NA	\$0.000
20	c) All other costs	none	none	\$0.000	NA	\$0.000	\$0.000	\$0.000	\$0.000	NA	no charge	NA	\$0.000
21	Applicable fees to incorporate document changes (i.e. a letterhead change).	none	\$125 per hr	\$100.000	included	\$0.000	included	\$0.000	\$125.000	\$90.000	no charge	\$25 each	\$75.000
22	Hourly rates for document design services (envisioned for inserts).	included	\$35 per hr	\$100.000	Does not provide insert design services. Bill & Notice design \$145/hr	\$95.000	\$125.000	\$75; initial insert design incl; add'l insert design \$75/hr	\$125.000	\$75.000	no charge	\$75.000	\$55.000
23	Ongoing annual support and maintenance costs, if any. In your response, include various options (i.e. 24x7, 5x9, others) if applicable.	none	none	\$0.000	included	\$0.000	\$14,400. annually	\$0.000	included	none	no charge		\$0.000
Optional Add-Ons to Price:													
24	Hourly rates for document design services upon request for all materials, including, but not limited to, billing inserts. This should also include estimations for time and cost related to the initial bill design portion of the implementation project.	\$75.000	\$125 per hr programming; \$35 per hr	\$0.000	\$145.000	\$95.000	\$125 hr; initial bill design included	\$75; initial bill design incl; add'l bill design \$75/hr	see bid pricing schedule	\$90.000	no charge	\$75 15-20 hours	\$55.000
25	Proposed pricing structure, including one-time implementation costs, annual fees and per transaction fees for both LFUCG and LFUCG's customers for electronic billing and payment services. (Provide details in your response.)	TBD	see bid	see bid	see bid	.08 delivered	NA TBD	All fees paid by convenience fee to customer, not by LFUCG. Conv. Fee TBD	see bid pricing schedule	see bid for supplemental pricing	no charge	*see cover letter	See bid for Electronic Billing & Payment Services
26	12 DIFFERENT ENVELOPE MESSAGES, message changes monthly	none	no additional charge w/ ordering 3 months at a time. See line #4	\$0.015	*\$0	\$0.0075 per lb	no bid	\$0.000	\$0.023	see bid for supplemental pricing	\$0.012	\$0.019	.0 included in line 14 pricing

		Sure Bill	Cash Cycle Solutions	Pinnacle Data Systems	KUBRA Data Transfer	Data Mktg Network	Source Link Ohio	Best Practice Systems	Datamatx	Level One	QuestMark Info Mgt	United Mail	BlueGrass Mailing
27	4 DIFFERENT ENVELOPE MESSAGES	none	no additional charge w/ ordering 3 months at a time. See line #4	\$0.015	*\$0	\$.0052 ea	no bid	\$0.000	\$0.023	see bid for supplemental pricing	\$0.012	\$0.019	.0 included in line 14 pricing

* depending on additional colors on OME messages

*see cover letter

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Witness: William O'Mara

6. Please refer to page 5 of William O'Mara's testimony. Please provide a copy of the two agreements referenced on lines 16-19.

Response:

The agreements are provided as LFUCG Exhibit LFC_R_KAW_EX_#6.

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7. Please refer to page 5 of William O'Mara's testimony. Identify the vendor referenced on lines 18-19 that provides printing and mailing services.

Response:

Bluegrass Mailing, Data, and Fulfillment Services.

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8. Please explain fully why LFUCG contracted with a separate vendor to provide printing and mailing services

Response:

LFUCG had the option of including the billing services as part of its agreement with GCWW. However, GCWW did not actually provide the services directly, but used a third party vendor. From its perspective as a governmental entity which is required to comply with certain open competition bidding requirements, as well as from a business perspective, LFUCG believed it was in its best interest to bid these services out separately through the competitive bid process.

The vendor used by GCWW submitted a response to Bid #67-2012. However, LFUCG selected the most responsive and lowest total cost bidder, Bluegrass Mailing, Data, and Fulfillment Services.

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9. Please identify each and every service or component of service that Greater Cincinnati Water Works and/or the printing and mailing services vendor is providing that KAW was not providing to LFUCG under its most recent contracts.

Response:

LFUCG still has to contract with KAW to obtain the relevant usage information in order to provide its sewer bills, as well as the ability to discontinue water service for nonpayment of the sanitary sewer fee. GCWW calculates a separate bill for the fees and provides the services outlined in its agreement with LFUCG. Additional services being provided include the following:

1. LFUCG is able to access and view the daily bill file and pdf copies of the bills.
2. Customer Suite access: LFUCG has full and complete access to customer accounts, availability to notate accounts, create and process adjustments, ability to transfer between accounts, auditing availability, access to seeing notes made by others.
3. LFUCG has the ability to view customer contact information and update as needed.
4. LFUCG can access documents and correspondence to/from customers.
5. LFUCG can obtain pdf copies of checks.
6. RAP (Report Access Portal) reports; capability of creating and viewing reports daily, weekly, monthly and on demand.
7. LFUCG has the ability to view all 3 fees simultaneously.
8. Vendor handles customer call backs.

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10. Does LFUCG project rate increases for its sanitary sewer services in the next ten years?
- (a) If the answer is yes, provide the most recent rate projections available through the latest year for which the projections are available.

Response:

The sanitary sewer fees are established by ordinance and are codified in Article VI, Chapter 16 of the Lexington-Fayette Urban County Government Code of Ordinances (the "Code"). Any increase to the fees would need to be adopted by the Urban County Council through an ordinance or resolution.

There is an automatic annual cost escalator dependent upon the consumer price index pursuant to Section 16-57.1 of the Code. The language from this ordinance is copied below:

"All rates and fees set forth in sections 16-48, 16-59, and 16-60 shall be adjustable each July 1 beginning on July 1, 2010, by an amount based upon the Consumer Price Index for All Urban Consumers, the U.S. City Average ("CPI-u") published monthly by the Bureau of Labor Statistics. These rates shall be adjusted up if so indicated by a factor determined by averaging the monthly CPI-u published for the twelve-month period ending, and including, April of the year before the July 1 adjustment."

Although LFUCG anticipates other increases will be necessary in addition to the CPI-u, the exact amounts have not been determined. The most recent modeling is attached.



LEXINGTON-FAYETTE URBAN COUNTY COUNCIL

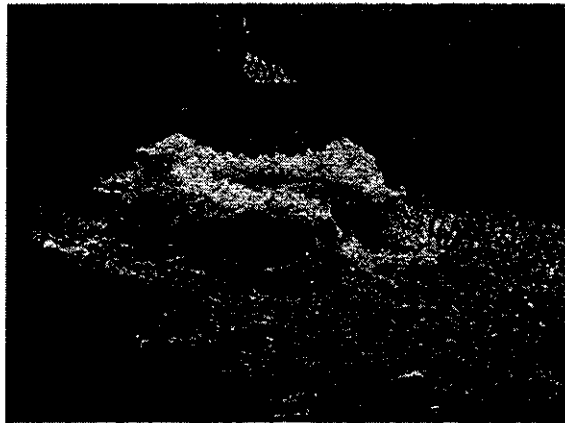
SPECIAL ENVIRONMENTAL COMMITTEE OF THE WHOLE

**AUGUST 23RD, 2011
11:00AM-12:00PM**

Council Chambers Government Center

AGENDA

- I. Sanitary Sewer Consent Decree Implementation 10 year Financial Model/Remedial Measures Capital Improvement Plan (Martin, Barrow)**



Sanitary Sewer

Consent Decree Implementation

10 Year Financial Model / Remedial Measures Plan

Committee of the Whole



August 23, 2011

Lexington-Fayette Urban County Government
DEPARTMENT OF FINANCE
DEPARTMENT OF ENVIRONMENTAL QUALITY & PUBLIC WORKS



Background

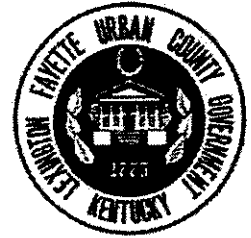
- Consent Decree requires the elimination of sanitary sewer overflows (SSOs) within 11 to 13 years, starting from January 3, 2011.

- Failure to meet SSO elimination criteria results in significant, recurring and cumulative financial penalties.

- Failure to meet requirements of Consent Decree likely to result in further legal action by the U.S. Department of Justice.

Revisiting Previous Presentations

January 18, April 19, May 3 and June 21, 2011



- Remedial Measures Plans (RMP) - Division of Water Quality presented Consent Decree requirements for sanitary sewer capital construction program.

- Three separate plans must be submitted for **EPA approval.**

- The plans are clustered into "groups" of watersheds based on the perceived severity of SSO problems.

Revisiting Previous Presentations

January 18, April 19, May 3 and June 21, 2011



□ Groups

- Group 1 – West Hickman / East Hickman / Wolf Run
- Group 2 – Town Branch / Cane Run
- Group 3 – North Elkhorn / South Elkhorn

□ Plan due dates

- Group 1 – October 13, 2011
- Group 2 – April 13, 2012
- Group 3 – October 13, 2012

Revisiting Previous Presentations

January 18, April 19, May 3 and June 21, 2011



- ❑ Remedial Measures Plans must recommend a “design” storm, which provides a basis for sizing of sanitary sewer infrastructure (pipes, pump stations, storage tanks and treatment plants).
- ❑ The Group 1 Remedial Measures Plan will set the design storm standard for the other two subsequent plans.
- ❑ Because the Group 1 plan is due to EPA in October, Water Quality has been seeking guidance from the Environmental Quality Committee and other stakeholders.

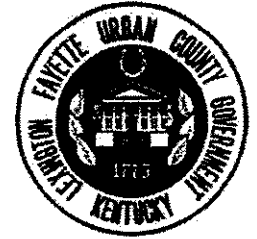
Revisiting June 21, 2011 Presentation

- The Division recommended using the 2 year / 24 hour design storm as the basis for the Remedial Measures Plans.

- The 2 year / 24 hour design storm is recommended because:
 - The Division believes that a smaller storm will not be approved by EPA, and
 - This design storm is the lowest cost alternative that EPA would likely consider for approval.

Design Storm / Capital Cost Estimates

April 21 and June 21, 2011 Presentations



Storm	Rainfall	Estimated Capital Cost	Rate Impacts By 2024 – Due to Capital
2-Year	3.2"	\$540 million	\$28.25
5-Year	3.8"	\$718 million	\$37.57
10-Year	4.3"	\$814 million	\$42.59

Rate impacts is the estimated monthly increase above current monthly bills, 13 years from now, necessary to cover capital costs.

Potential monthly rate increases are based on financing capital improvements for 20 years at 3%, spread to 106,000 customer accounts.

Rate increases would be implemented over 10 years.

Outcome of June 21, 2011 Presentation

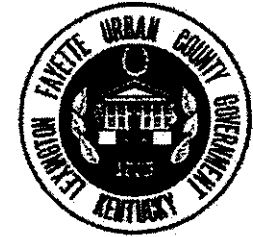
- ❑ Division recommendation – 2 year / 24 hour design storm is the most cost effective recommendation for inclusion in Remedial Measures Plans.
- ❑ Committee Request – financial model including personnel costs, operating costs, existing and proposed debt, etc.





Financial Model Assumptions

- Estimates and assumptions drive the Financial Model because:
 - EPA has not approved all plans / schedules required by the Consent Decree. Submittals are ongoing and will go on throughout 2012.
 - Specific projects / costs / associated construction schedules are uncertain until EPA approves them.
 - Project estimates are for planning purposes, actual project costs aren't known until each individual project is bid.



Financial Model Assumptions

- ❑ Estimated small increase in personnel cost to manage expanded operational and capital obligations that will result from Remedial Measures Plan (RMP) and CMOM Specific Plan approvals.
- ❑ Estimated annual increases in operating based on historical trends and anticipated costs for implementing RMP and CMOM programs.



Financial Model Assumptions

Estimated \$540 M capital expenditure distributed through 2022 as a bell curve.

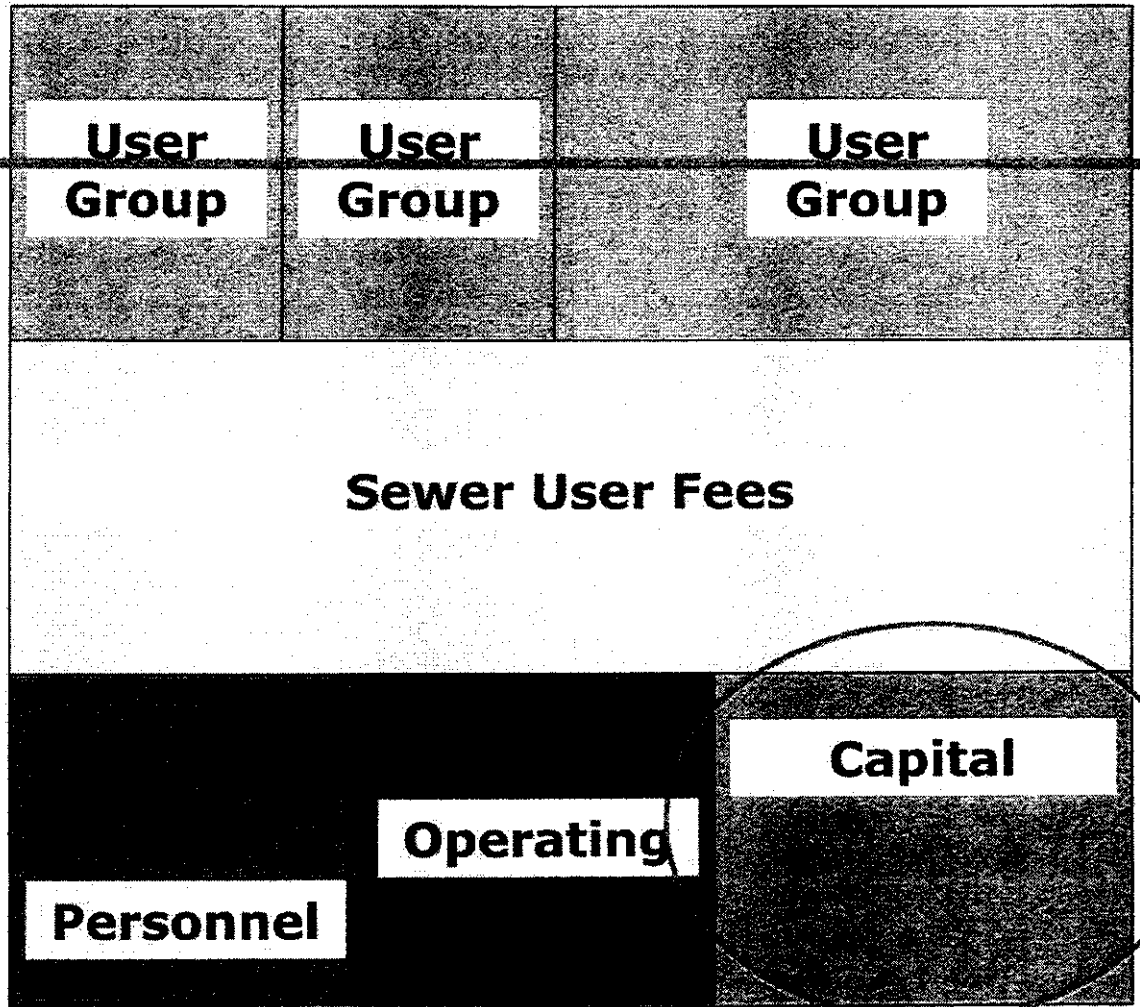
(i.e. maximum annual costs between FY16 and FY22)

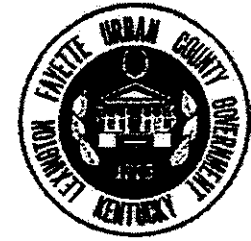
ASSIGNMENT

**Develop a Sewer Fund 10-year
Forecasting Model**

Sewer Rate Methodology

Rate Design





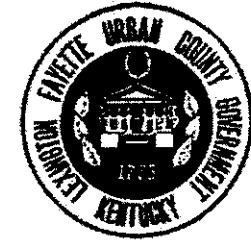
Financial Model Details

□ RESULT

- Developed an interactive financial forecasting tool to facilitate the decision making process.
- Composed of an in-depth analysis of Revenue, Capital, Debt, Operations & Personnel through FY 2025.

□ KEY CONSIDERATION

- Forecasting tool is predicated on numerous assumptions and estimates of policy decision. Variables can and will have a large impact on forecasted cost (i.e. Design Storm)



Financial Model Assumptions

Revenue

Customer Growth by Class
Customer Usage by Class
Water Conservation Initiatives
Excluded Revenue
Miscellaneous Revenue Sources & Growth
Restricted & Non-Restricted Interest Income
Rate Structure

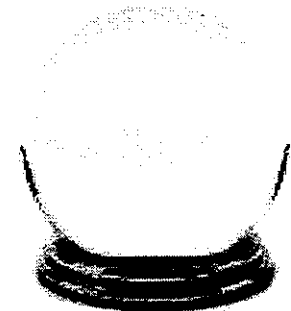
Operating

Existing Personnel
Additional Personnel for Operational Requirements
Utilities & Gas
Vehicle & Equipment Fuel
General Insurance
Other Cost
Inflow & Infiltration

Capital

Cost of Capital - Open Market
Cost of Capital - KIA Funding
Grant Funding
Base Project Funding & Timing (i.e. I&I)
Remedial Measures Funding & Timing
Cash Funded Capital Plan
Debt Service Coverage Requirements

"Numerous issues impact the cost of the long-term"



Example: Capital Planning

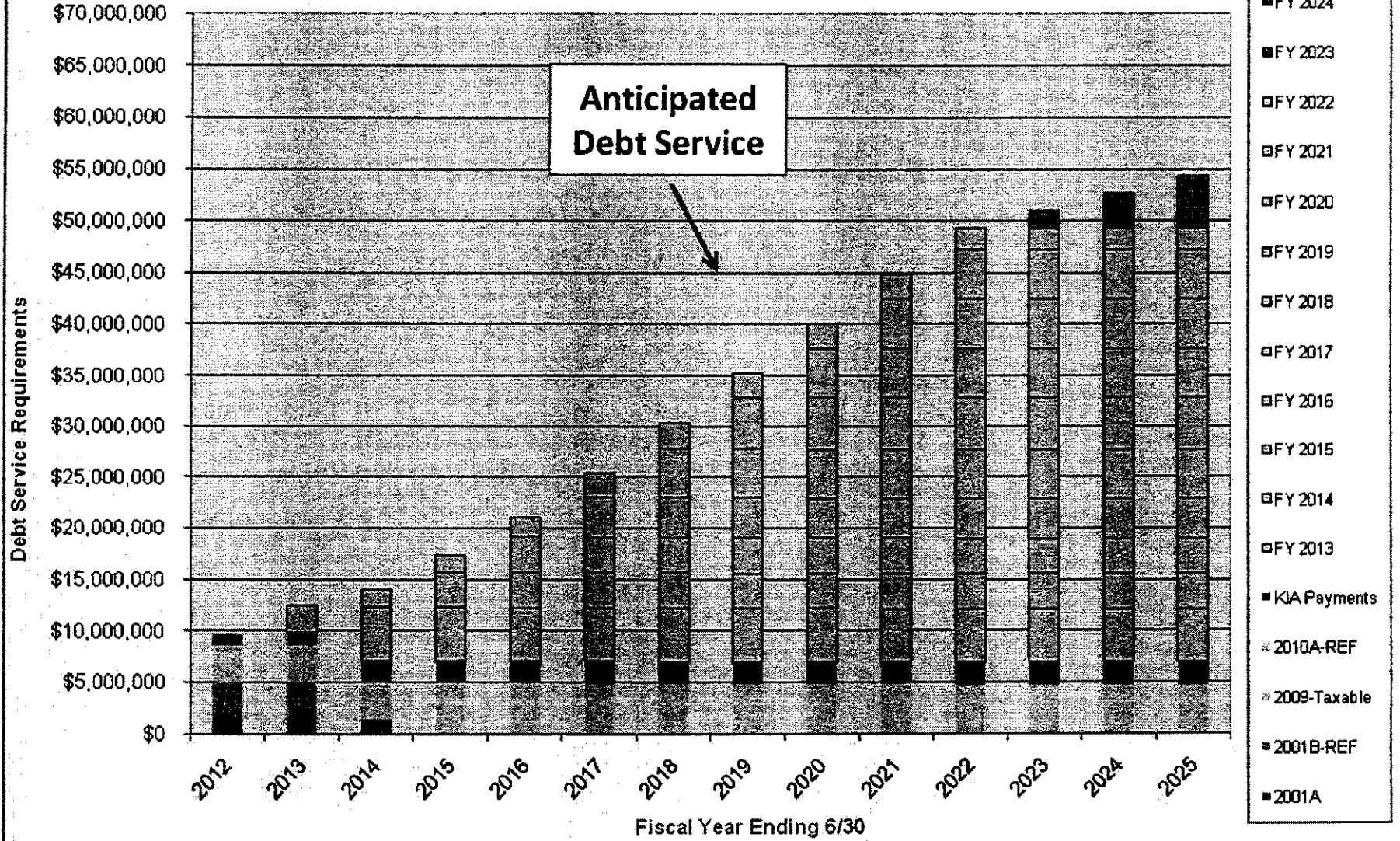
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal 2018
Projects						
Pump Station Generators	\$333,333	\$333,333	\$333,334			
Inflow and Infiltration	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Upgrade TBW WTP/Lab	\$1,820,000					
Town Branch WWTP	\$2,129,000					
SCADA	\$7,100,280					
Wolf Run Pump Station/FM	\$2,910,000					
Expansion Area - LFUCG Portion	\$4,800,800					
Manhole Monitoring System for SSORP	\$2,000,000					
Remedial Measures Plan	\$34,000,000	\$34,000,000	\$34,000,000	\$40,000,000	\$50,000,000	\$54,000,000
Total Capital Plan	\$60,093,413	\$39,333,333	\$39,333,334	\$45,000,000	\$55,000,000	\$59,000,000



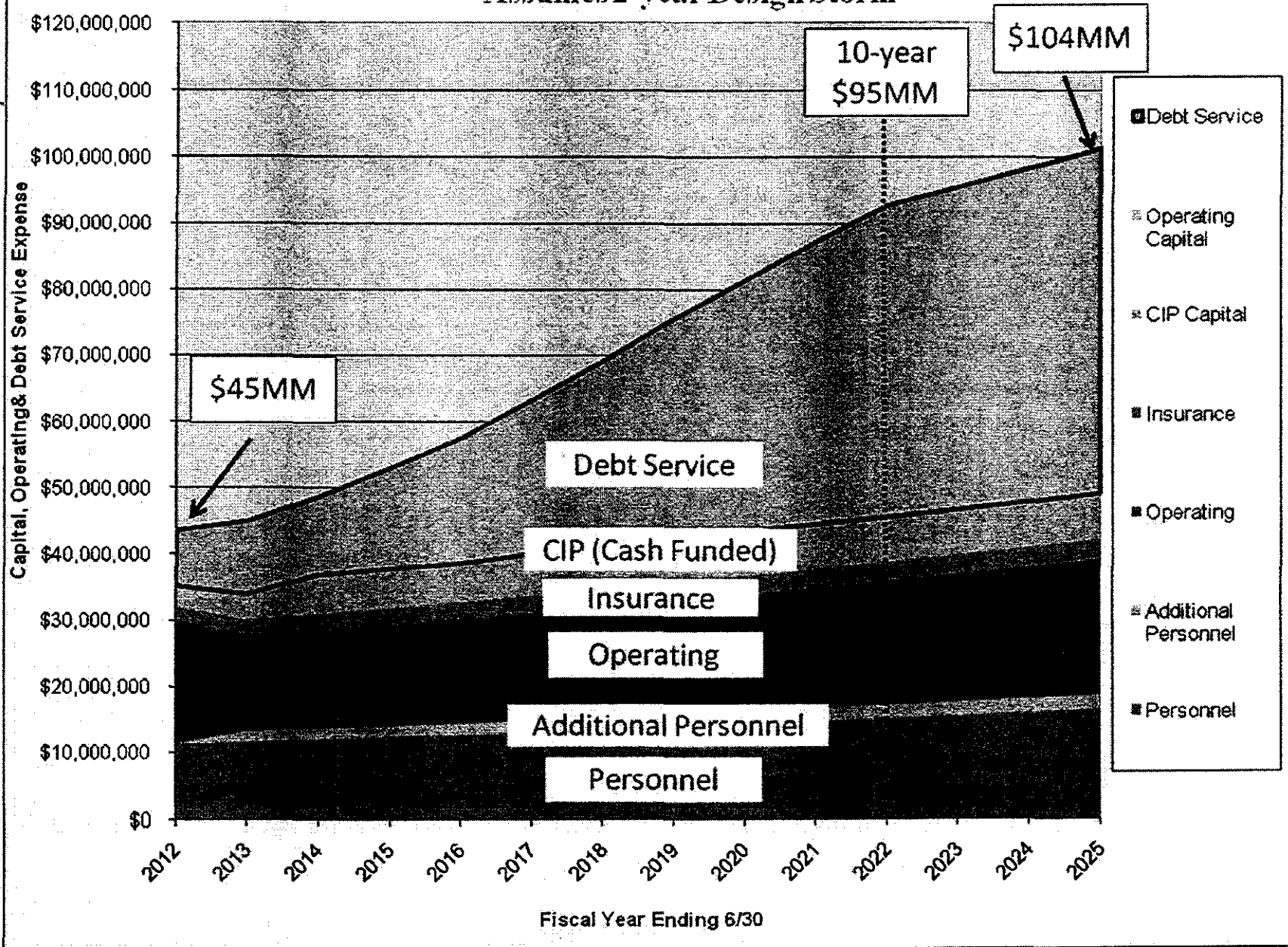
DRAFT RESULTS

Sewer Fund 10-year Forecast

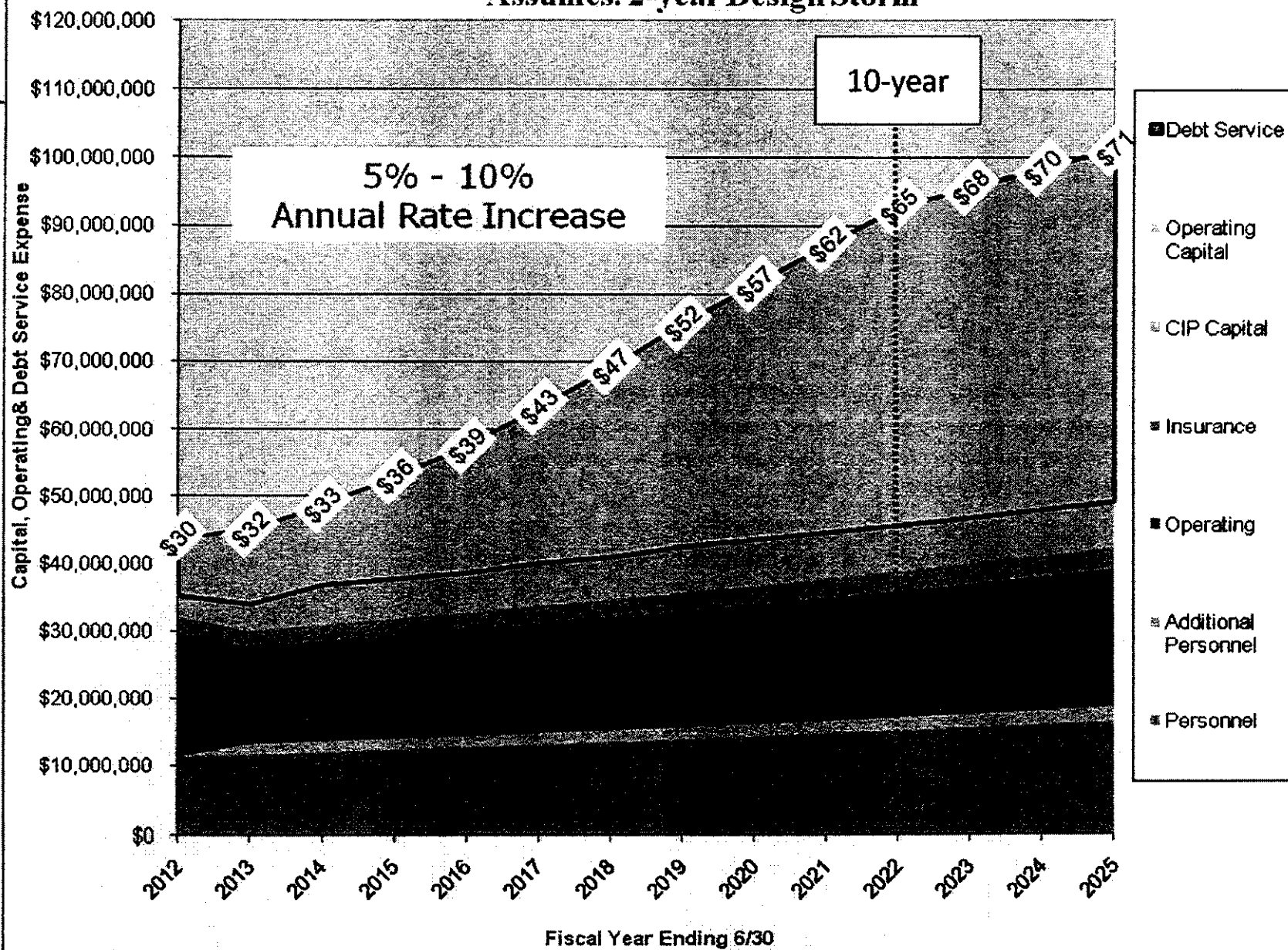
Sewer Debt Service Structure Graph (Assumes: 2-Year Design Storm)



**Lexington-Fayette Urban County Government
(Sewer Fund FY12 - FY25)
Assumes 2-year Design Storm**



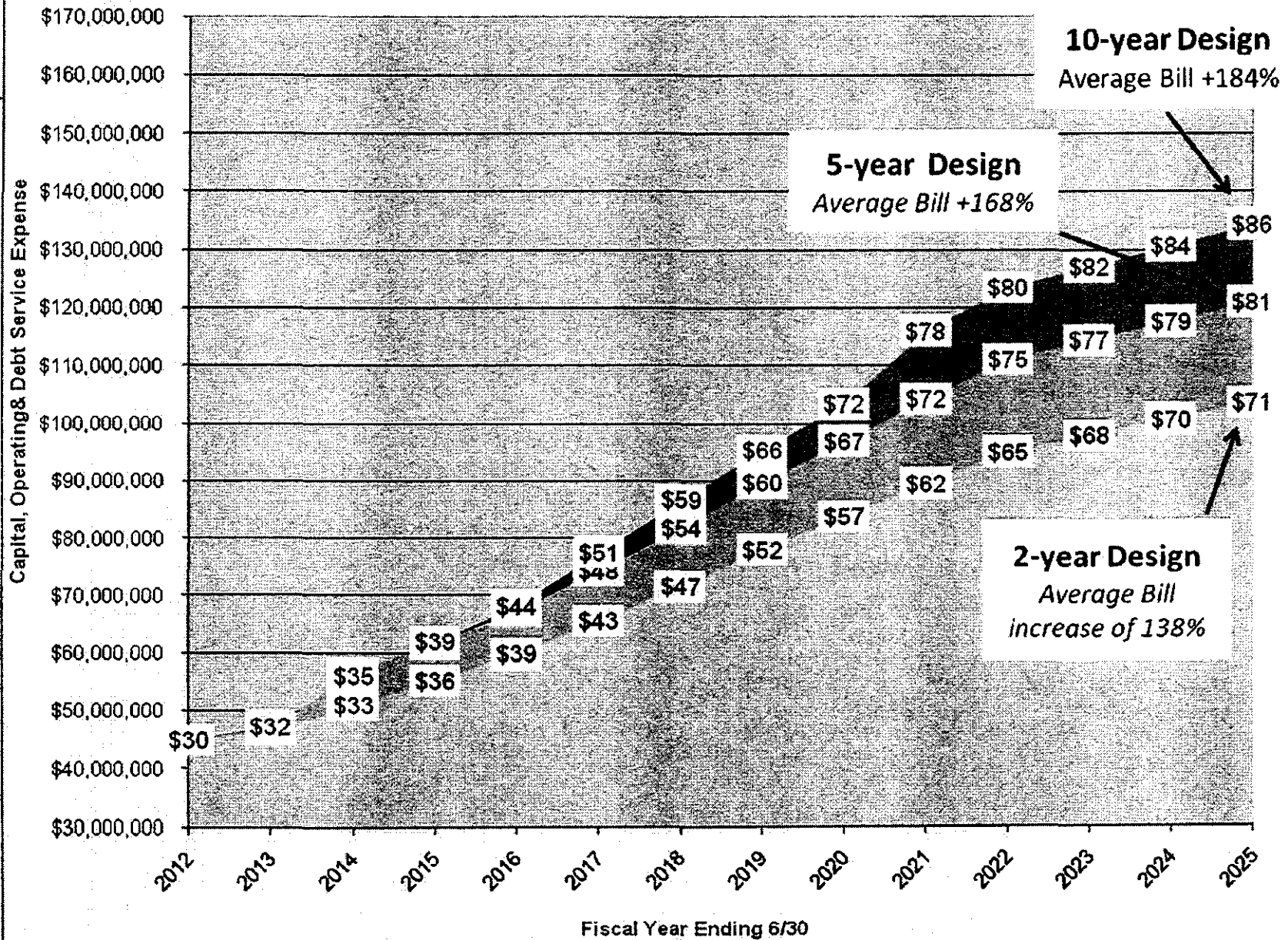
Lexington-Fayette Urban County Government (Sewer Fund Average Monthly Bill) Assumes: 2-year Design Storm



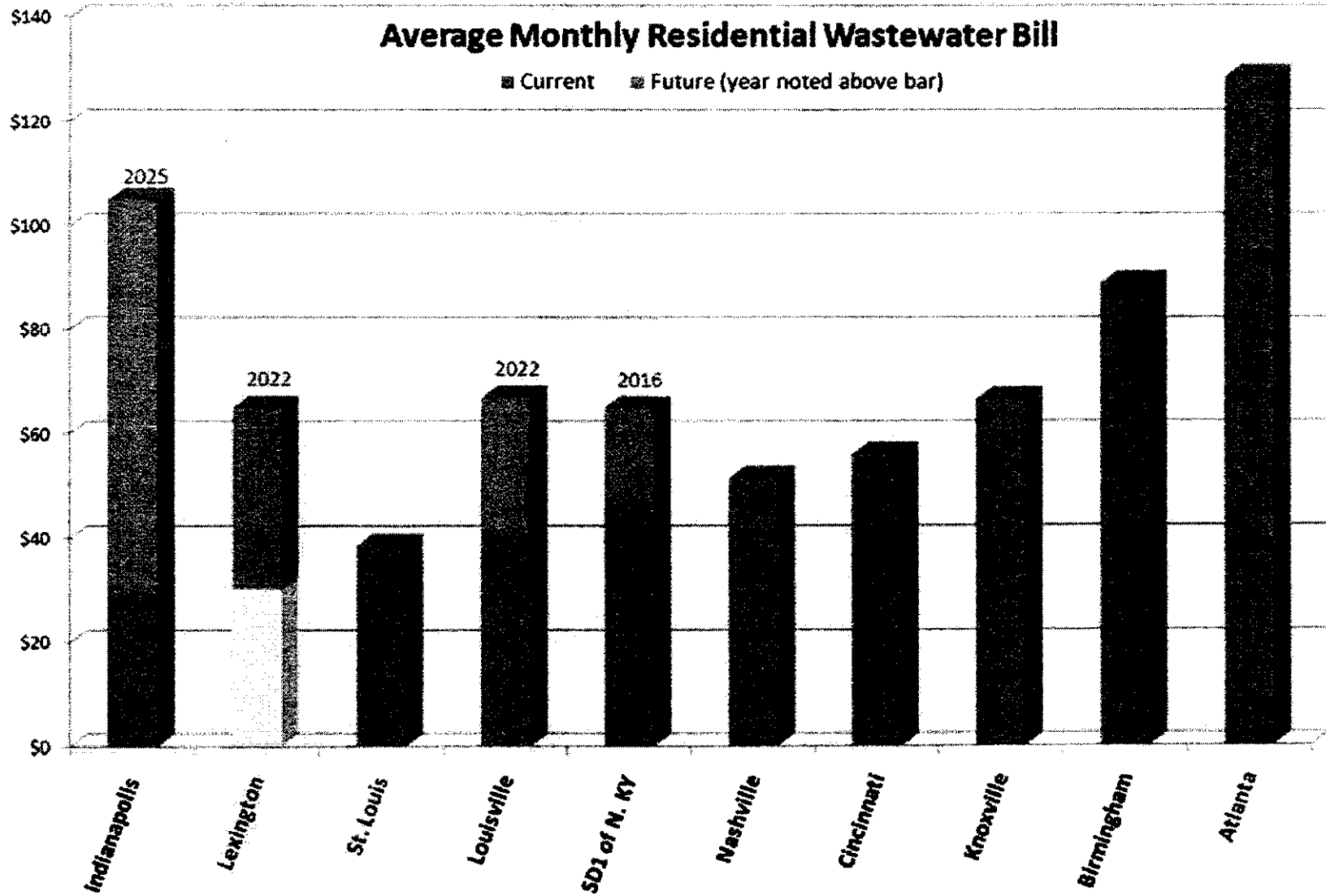
COMPARISON

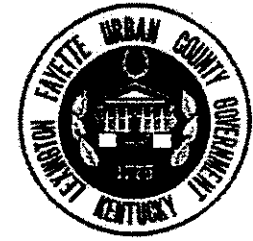
2-year, 5-year & 10-year Storm Design Capital Investment

Lexington-Fayette Urban County Government (Sewer Fund Average Monthly Bill)



Comparison of Present / Future Rates 2 Year / 24 Hour Design Storm



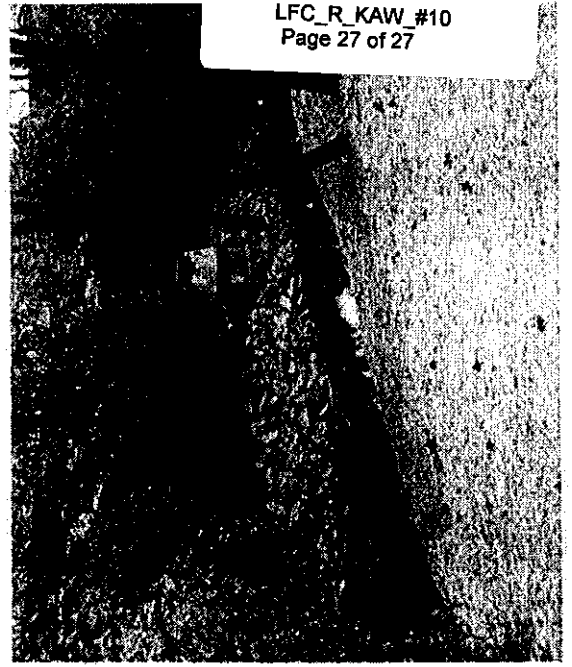
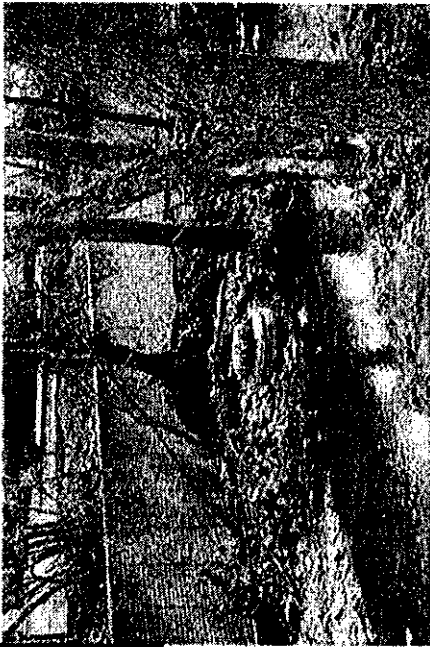


Conclusion

- ❑ The decision needed today- Does the council want to reverse the Department of Environmental Quality and Public Works decision to choose the 2 year / 24 storm as the basis for Sanitary Sewer Remedial Measures Plans?
- ❑ The decision not needed today – Decision on an immediate rate increase.



Questions and Answers



PSC CASE NO. 2012-000520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
RESPONSES TO KENTUCKY-AMERICAN WATER COMPANY'S
DATA REQUESTS FOR INFORMATION

Witness: **William O'Mara**

11. Does LFUCG project rate increases for its landfill user fees in the next ten years?
- (a) If the answer is yes, provide the most recent rate projections available through the latest year for which the projections are available.

Response:

A working group established by the Urban County Council has been meeting and analyzing the current funding structure for the provision of waste management services by LFUCG, which also includes an ad valorem tax. There is currently no rate projection increase available.

PSC CASE NO. 2012-000520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
RESPONSES TO KENTUCKY-AMERICAN WATER COMPANY'S
DATA REQUESTS FOR INFORMATION

Witness: **William O'Mara**

12. Does LFUCG project rate increases for its water quality management fees in the next ten years?
- (a) If the answer is yes, provide the most recent rate projections available through the latest year for which the projections are available.

Response:

The water quality management fees are established by ordinance and are codified in Article XIV, Chapter 16 of the Lexington-Fayette Urban County Government Code of Ordinances (the "Code"). Any increase to the fees would need to be adopted by the Urban County Council through an ordinance or resolution.

There is an automatic annual cost escalator dependent upon the consumer price index pursuant to Section 16-403 (c) of the Code. The language from this ordinance is copied below:

"All rates and fees set forth in this section shall be adjustable each July 1 beginning on July 1, 2011, by an amount based upon the Consumer Price Index for All Urban Consumers, the U.S. City Average ("CPI-u") published monthly by the Bureau of Labor Statistics. These rates shall be adjusted up if so indicated by a factor determined by averaging the monthly CPI-u published for the twelve-month period ending, and including, April of the year before the July 1 adjustment."

At this time there is not an additional analysis by LFUCG to increase these rates.

PSC CASE NO. 2012-000520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
RESPONSES TO KENTUCKY-AMERICAN WATER COMPANY'S
DATA REQUESTS FOR INFORMATION

Witness: **William O'Mara/Legal Objections David Barberie**

13. Please list each and every rate increase for sanitary sewer service, landfill user fees, and water quality management fees since January 1, 2008. For each increase please provide:
- (a) The effective date of the increase;
 - (b) The dollar amount of the increase;
 - (c) The percentage of the increase.

Response:

LFUCG objects to this request as it has no relevance to any issue in this case. Without waving its stated objections, a spreadsheet including this information is attached.

Sewer User Fee

Residential

Rate Effective Date	Rate	Number of Cubic Feet	Dollar Amount of Increase	Percentage of Increase
Prior to 5/1/2008	\$1.78	<400	N/A	N/A
	\$2.16	>400		
5/1/2008	\$3.50	0-100	***	***
	\$2.64	>100		
7/1/2009	\$4.73	0-100	\$1.23	35%
	\$3.56	>100	\$0.92	
7/1/2010	\$4.75	0-100	\$0.02	0.5%
	\$3.58	>100	\$0.02	
7/1/2011	\$4.83	0-100	\$0.08	1.7%
	\$3.64	>100	\$0.06	
7/1/2012	\$4.94	0-100	\$0.11	2.3%
	\$3.72	>100	\$0.08	

Non-Residential

Rate Effective Date	Rate	Number of Cubic Feet	Dollar Amount of Increase	Percentage of Increase
Prior to 5/1/2008	\$2.16	per unit	N/A	N/A
5/1/2008	\$4.25	0-100	***	***
	\$3.20	>100		
7/1/2009	\$5.73	0-100	\$1.48	34.8%
	\$4.32	>100	\$1.12	35
7/1/2010	\$5.76	0-100	\$0.03	0.5%
	\$4.34	>100	\$0.02	
7/1/2011	\$5.86	0-100	\$0.10	1.7%
	\$4.41	>100	\$0.07	
7/1/2012	\$5.99	0-100	\$0.13	2.3%
	\$4.51	>100	\$0.10	

***Dollar amount of increase and percentage of increase not provided due to change in the number of units included in each rate step.

Water Quality Management Fee

Rate Effective Date	Rate	Dollar Amount of Increase	Percentage of Increase
1/1/2010	\$4.32	N/A	N/A
7/1/2011	\$4.39	\$0.07	1.7%
7/1/2012	\$4.49	\$0.10	2.3%

This was a new fee effective 01/01/10.

Landfill Fee - no rate increases

PSC CASE NO. 2012-000520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
RESPONSES TO KENTUCKY-AMERICAN WATER COMPANY'S
DATA REQUESTS FOR INFORMATION

Witness: William O'Mara/Legal Objections David Barberie

14. Provide a copy of any models, presentations, reports, or studies performed by LFUCG or on LFUCG's behalf that refer or relate to rate increases in sanitary sewer service, landfill user fees, and water quality management fees since January 1, 2008.

Response:

LFUCG objects to this request as it is overly broad and unduly burdensome and it has no relevance as to any issues in this case. Without waving its stated objections, please refer to the modeling report exhibit to LFUCG's response to question 10. Based upon reasonable inquiry there was a presentation or presentations made to the Urban County Council in January 2008 pertaining to the posed adoption of Lexington-Fayette County Ordinance No. 34-2008, which was ultimately adopted in on February 27, 2008. Copies of the written materials related to the presentation and the ordinance are attached.

Sanitary Sewer System Financial Model
(Rate Increases: FY 2009 - 48%, FY 2010 - 35%, beginning in FY 2011 - CPI-U, US City Average, All Items)

	ACTUAL				Estimate FY 2007	Forecast FY 2008	Forecast FY 2009	Forecast FY 2010	Forecast FY 2011	Forecast FY 2012
	FY 2003	FY 2004	FY 2005	FY 2006						
FUND 4002 (Operating)										
Revenues:										
Sewer user fee	\$23,964,428	\$24,603,759	\$23,429,289	\$24,890,320	\$24,360,000	\$22,900,000	\$34,240,000	\$46,070,000	\$47,060,000	\$48,050,000
Sewer tap-on fee	1,227,111	1,428,449	1,584,341	1,661,417	1,440,000	1,440,000	2,160,000	2,920,000	2,990,000	3,060,000
Sewer Capacity Exaction		232,431	71,919	137,554	0	100,000	100,000	100,000	100,000	100,000
Interest	403,253	309,768	771,298	1,612,280	2,700,000	860,000	790,000	860,000	830,000	860,000
Other	232,509	252,681	109,274	122,877	470,000	200,000	200,000	200,000	300,000	200,000
Total Revenues	25,827,301	26,827,088	25,966,120	28,424,448	28,970,000	25,500,000	37,400,000	50,150,000	51,280,000	52,270,000
Expenses:										
Personnel	6,155,132	6,705,508	7,566,844	8,066,701	8,380,000	9,150,000	10,110,000	10,430,000	10,760,000	11,100,000
Debt service	5,991,335	5,829,210	5,813,005	5,803,725	5,510,000	5,500,000	7,940,000	10,940,000	11,650,000	11,640,000
Operating expense	7,299,827	7,970,623	7,905,600	8,551,690	9,420,000	10,300,000	11,270,000	11,970,000	12,820,000	13,900,000
Operating capital	1,535,794	1,651,970	1,230,565	1,543,818	1,690,000	2,700,000	3,100,000	4,400,000	3,300,000	3,800,000
Transfer to/(from) Construction	1,400,000	1,585,840	3,056,000	6,031,630	6,113,210	6,800,000	0	10,100,000	11,000,000	11,900,000
Transfer to/(from) reserves	61,287	148,438	(1,285,023)	(185,408)	192,931	(109,536)	4,264,734	5,457,384	104,026	(93,259)
Total Expenses	22,443,375	23,891,589	24,286,991	29,812,156	31,306,141	34,340,464	36,684,734	53,297,384	49,634,026	52,246,741
Excess Revenue/(Expenses)	3,383,926	2,935,499	1,679,129	(1,387,708)	(2,336,141)	(8,840,464)	715,266	(3,147,384)	1,645,974	23,259
Fund Balance, Beginning	7,416,718	10,800,644	13,736,143	15,415,272	14,027,564	11,691,423	2,850,958	3,566,225	418,841	2,064,814
Fund Balance, Unrestricted	\$10,800,644	\$13,736,143	\$15,415,272	\$14,027,564	\$11,691,423	\$2,850,958	\$3,566,225	\$418,841	\$2,064,814	\$2,088,073
Restricted Reserves										
Depreciation Reserve	\$2,668,750	\$2,502,000	\$2,328,000	\$2,145,750	\$1,970,000	\$1,785,750	\$4,127,500	\$5,965,000	\$5,872,250	\$5,564,750
Maintenance & Operation	3,794,850	4,100,470	4,223,993	4,620,790	5,138,075	5,350,000	5,600,000	5,900,000	6,250,000	6,630,000
Debt Service Reserve	5,905,305	5,893,605	4,614,776	4,442,976	4,273,272	4,079,311	5,710,705	8,987,329	8,789,116	8,576,567
27th Payroll	162,605	183,872	228,155	0	21,100	77,850	119,440	162,700	207,690	254,480
Total Restricted Funds	\$12,531,510	\$12,679,947	\$11,394,924	\$11,209,516	\$11,402,447	\$11,292,911	\$15,557,645	\$21,015,029	\$21,119,056	\$21,025,797
Debt Service Coverage	2.10	2.06	2.27	2.66	2.61	1.48	2.81	3.09	3.15	3.18

Prepared by: Department of Finance & Administration

Date: 01/07/2008

Sanitary Sewer System Financial Model
 (Rate Increases: FY 2009 - 48%, FY 2010 - 35%, beginning in FY 2011 - CPI-U, US City Average, All Items)

LFC_R_KAW_#14
 Page 3 of 13

	ACTUAL				Estimate FY 2007	Forecast FY 2008	Forecast FY 2009	Forecast FY 2010	Forecast FY 2011	Forecast FY 2012
	FY 2003	FY 2004	FY 2005	FY 2006						
FUND 4003 (Construction)										
Inflows										
Bond Proceeds							\$50,000,000	\$45,000,000		
Transfer from Operating	1,400,000	1,585,840	3,056,000	6,031,630	6,113,210	6,800,000		10,100,000	11,000,000	11,900,000
Transfers Out					(332,300)					
U.K. Reimbursement	300,366	314,734	329,789	345,565	0	0	0	0	0	0
Interest Income	220,120	117,755	228,808	371,583	410,000					
Total Inflows	\$1,920,486	\$2,018,329	\$3,614,597	\$6,748,778	\$6,190,910	\$6,800,000	\$50,000,000	\$55,100,000	\$11,000,000	\$11,900,000
Capital										
Rehabilitation										
Sewershed	\$3,273,531	\$1,703,218	\$2,089,133	(\$25,457)	\$746,780	\$408,520	\$0	\$0	\$0	\$0
I/I Reduction	147,683	1,087,886	1,712,473	1,797,563	1,569,600	2,065,200	1,500,000	1,500,000	1,500,000	1,500,000
Neighborhood Sewers	0	0	0	0	57,940	128,780	0	0	0	0
Rehabilitation Design & Construction	0	0	0	0	16,690	1,093,180	0	0	0	0
Collector System Rehab	0	0	0	0	302,910	2,106,970	1,000,000	1,000,000	1,000,000	1,000,000
Total	3,421,214	2,791,104	3,801,605	1,772,106	2,693,920	3,802,650	2,500,000	2,500,000	2,500,000	2,500,000
Other Capital										
West Hickman Treatment Plant	14,804	0	24,425	948,557	147,350	2,510,900	0	25,000	0	0
Town Branch Treatment Plant	0	(26)	0	120,497	970,750	1,159,080	3,800,000	2,120,000	2,129,000	0
Land	0	425	0	0	0	0	0	0	0	0
South Elkhorn F.M./P.S.	0	0	340,000	7,329	347,660	1,267,900	11,347,200	6,006,400	0	0
North Elkhorn F.M./P.S.	0	0	0	18,350	96,300	10,571,560	4,000,000	2,000,000	0	0
Deep Springs P.S. Design/Construction						0	35,000	245,000	220,000	0
Dixie P.S. Design/Construction						0	35,000	245,000	220,000	0
Sewer System Assessment						1,184,170	4,341,160	3,802,860	121,800	0
P.S. Assessment						1,512,500	487,500	0	0	0
CMOM						580,000	4,150,000	3,187,500	2,725,000	5,450,000
Blue Sky						0	445,380	1,484,620	0	0
Lexington Mall						0	0	0	2,000,000	10,000,000
DWAQ Admin Bldg						0	0	2,350,000	2,100,000	0
Expansion Area - LFUCG Portion	0	0	22,213	89,033	0	0	1,170,000	6,318,000	4,212,000	0
Program Management	0	0	0	0	0	250,000	750,000	750,000	750,000	750,000
SCADA Operations	0	0	0	0	0	0	1,600,000	7,750,280	7,750,280	0
Unsewered Pockets	0	0	0	4,931	149,950	1,175,690	1,045,000	1,215,000	1,470,000	865,000
Remedial Measures						0	0	0	4,500,000	2,100,000
Subtotal	14,804	399	386,638	1,188,695	1,712,010	20,211,800	33,206,240	37,499,660	28,198,080	19,165,000
Total Construction	\$3,436,018	\$2,791,503	\$4,188,243	\$2,960,802	\$4,405,930	\$26,014,450	\$35,706,240	\$39,999,660	\$30,698,080	\$21,665,000

Prepared by: Department of Finance & Administration

Date: 01/07/2008

RATE STRUCTURE

Rate	FY 2008			FY 2009				FY 2010			
	Residential		Non-residential	Residential		Non-residential		Residential		Non-residential	
	100-400ccu	>400 ccu	>100 ccu	0-100 ccu	>100 ccu	0-100ccu	>100 ccu	0-100 ccu	>100 ccu	0-100ccu	>100 ccu
	\$1.78	\$2.16	\$2.16	\$3.50	\$2.64	\$4.25	\$3.20	\$4.73	\$3.56	\$5.73	\$4.32

BILLS

	Residential			Non-residential		
	FY2008	FY 2009	FY2010	FY2008	FY 2009	FY2010
0-100 ccu		\$3.50	\$4.73		\$4.25	\$5.73
100 - 400 ccu	\$7.12					
~ 150 ccu	\$3.26					
~ 450 ccu		\$11.88	\$16.02			
~ 6,600 ccu					\$211.33	\$285.12
~ 6,700 ccu				\$144.88		
Average Monthly Bill	\$10.38	\$15.38	\$20.75	\$144.88	\$215.58	\$290.85
Average Annual Bill	\$124.59	\$184.56	\$249.00	\$1,738.50	\$2,585.40	\$3,490.20
% Change		48%	35%		49%	35%

Prepared by: Department of Finance & Administration

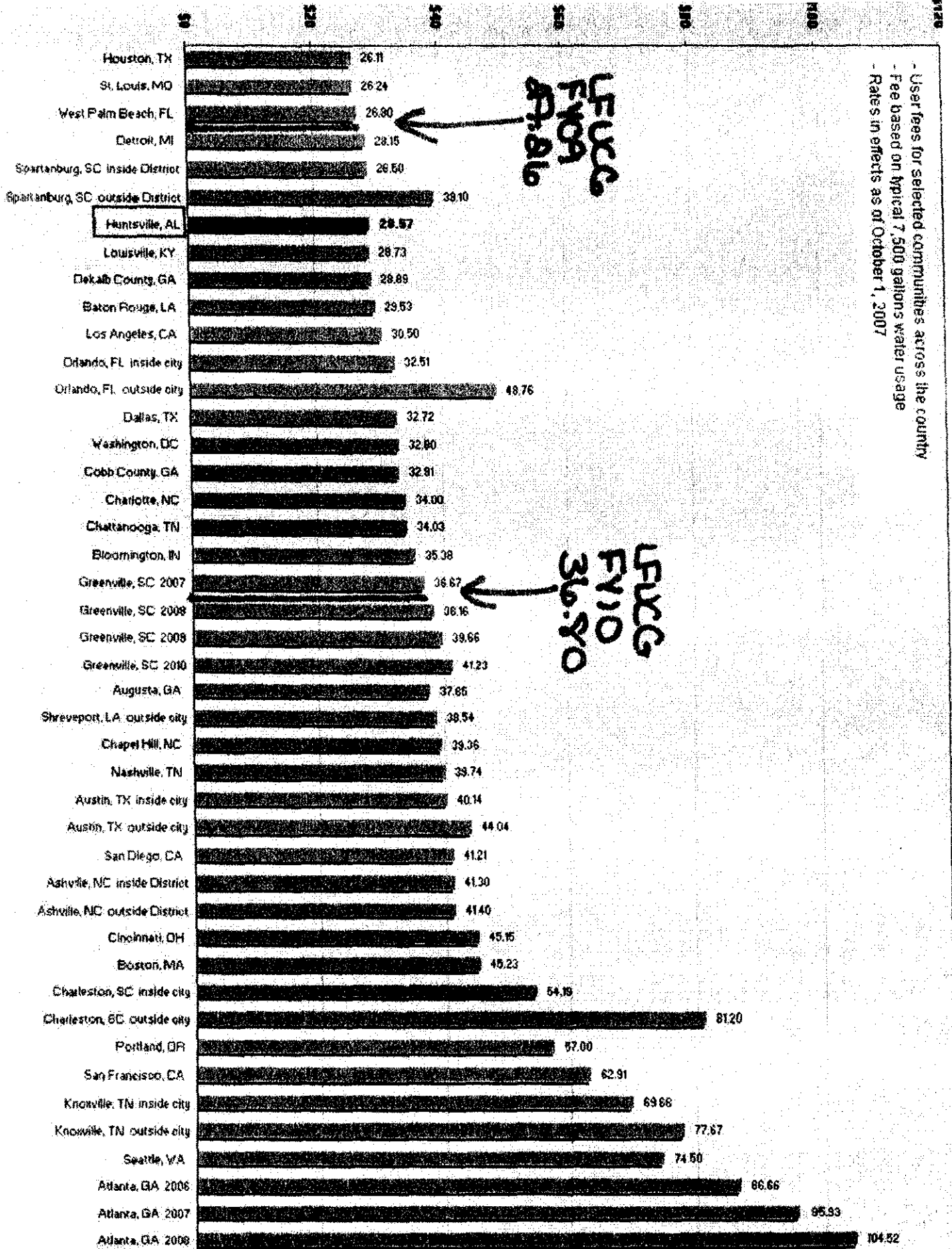
Date: 01/07/2008

**Average
SEWER RATE COMPARISON
(In Gallons and Cubic Feet)
Bluegrass ADD Cities Over Population 2,500**

	Effective Date for Rates	Min. Bill	Min. Quantity (gal.)	Cost Per Month For:							
				2,000 (gal.) (267 cf)	Rank	3,000 (gal.) (400 cf)	Rank	4,000 (gal.) (535 cf)	Rank	6,000 (gal.) (800 cf)	Rank
Berea	Apr-85	\$6.35	1500	\$7.95	8	\$11.15	5	\$14.34	5	\$20.75	5
Cynthiana	Jul-04	14.50	2000	14.50	16	17.80	16	21.10	14	27.70	12
Danville	Jul-07	3.63	0	7.53	4	10.65	4	13.78	4	20.01	4
Frankfort	Nov-05	13.42	2000	13.42	16	20.13	17	26.84	18	40.26	18
Georgetown	Nov-07	7.82	2000	7.82	7	13.40	9	18.98	12	30.14	14
Harrodsburg	Oct-03	8.80	1870	9.41	11	12.76	6	17.08	7	25.72	7
Irvine	Nov-96	8.46	2000	8.46	10	12.89	7	16.42	6	23.48	6
Lancaster	Jan-06	6.17	1000	12.34	15	18.51	17	24.68	17	37.02	17
Lawrenceburg	Jun-07	11.57	2000	11.57	14	17.35	15	23.13	16	34.69	16
Lexington	Jul-02	0.00	0	4.76	1	7.12	1	10.03	1	15.81	1
Nicholasville	Jul-00	3.71	0	7.69	5	14.87	12	18.59	11	26.03	10
Paris	Jan-99	10.66	2000	10.66	13	15.99	13	21.32	15	31.98	15
Richmond	Jul-07	10.46	2250	10.46	12	13.61	10	17.86	10	25.90	9
Stanford	Jul-99	7.49	2000	7.49	3	10.31	3	13.13	3	18.77	3
Stanton	Sep-87	10.35	1000	13.45	17	16.55	14	19.65	13	25.85	8
Versailles	Jul-07	4.02	0	7.79	6	10.04	2	12.29	2	16.70	2
Wilmore	Nov-05	8.39	2000	8.38	9	12.92	8	17.45	8	26.51	11
Winchester	Mar-03	3.51	750	7.02	2	14.04	11	17.55	9	28.08	13
Average		\$7.74		\$9.48		\$13.89		\$18.01		\$26.41	
<i>LFUCG Proposed FY 09</i>		<i>\$3.50</i>	<i>750</i>	<i>\$7.91</i>		<i>\$11.42</i>		<i>\$14.93</i>		<i>\$21.98</i>	
<i>LFUCG Proposed FY 10 (residential rates)</i>		<i>\$4.73</i>		<i>\$10.68</i>		<i>\$15.42</i>		<i>\$20.16</i>		<i>\$29.67</i>	

Source: Bluegrass Area Development District

Lowest



ORDINANCE NO. 34 -2008

AN ORDINANCE AMENDING ARTICLE VI, CHAPTER 16 OF THE CODE OF ORDINANCES AS FOLLOWS: TO AMEND SECTION 16-48 TO INCREASE DISPOSAL FEES FOR SEWAGE; TO CREATE SECTION 16-57.1 PROVIDING THAT ALL RATES AND FEES SET FORTH IN SECTIONS 16-48, 16-59, AND 16-60 SHALL BE ADJUSTED ANNUALLY EACH FISCAL YEAR BEGINNING EFFECTIVE JULY 1, 2010, IN ACCORDANCE WITH THE CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS; TO AMEND SECTION 16-59 TO INCREASE FEES FOR SANITARY SEWER SERVICE RATES FOR RESIDENTIAL USERS SUBJECT TO SCHEDULE A FROM \$1.78 PER UNIT FOR THE FIRST FOUR HUNDRED (400) CUBIC FEET OF WATER USAGE PER MONTH AND 2.16 PER UNIT FOR USAGE IN EXCESS OF FOUR HUNDRED (400) CUBIC FEET OF WATER USAGE TO \$3.50 THROUGH JUNE 30, 2009, AND \$4.73 EFFECTIVE JULY 1, 2009, FOR THE FIRST UNIT, FROM ZERO (0) TO ONE HUNDRED (100) CUBIC FEET OF WATER AND \$2.64 THROUGH JUNE 30, 2009, AND \$3.56 EFFECTIVE JULY 1, 2009, PER UNIT FOR USAGE IN EXCESS OF ONE (1) UNIT; TO INCREASE SANITARY SEWER SERVICE RATES FOR USERS SUBJECT TO SCHEDULE B FROM \$2.16 PER UNIT TO \$4.25 THROUGH JUNE 30, 2009, AND \$5.73 EFFECTIVE JULY 1, 2009, FOR THE FIRST UNIT, FROM ZERO (0) TO ONE HUNDRED (100) CUBIC FEET OF WATER, AND \$3.20 THROUGH JUNE 30, 2009, AND \$4.32 EFFECTIVE JULY 1, 2009, PER UNIT FOR USAGE IN EXCESS OF ONE (1) UNIT, PLUS INCREASE THE CHARGE FOR SUSPENDED SOLIDS FROM 0.322 TO 0.478 THROUGH JUNE 30, 2009 AND 0.645 EFFECTIVE JULY 1, 2009, THE CHARGE FOR AMMONIA NITROGEN FROM 0.977 TO 1.45 THROUGH JUNE 30, 2009, AND 1.958 EFFECTIVE JULY 1, 2009, AND THE CHARGE FOR BIOCHEMICAL OXYGEN DEMAND FROM 0.389 TO .577 THROUGH JUNE 30, 2009, AND 0.779 EFFECTIVE JULY 1, 2009; TO DELETE SUBSECTION (C) AND TO CREATE A NEW SUBSECTION (C) ESTABLISHING A THIRTY (30) PERCENT DISCOUNT PROGRAM FOR QUALIFYING SENIOR CITIZENS; TO AMEND SECTION 16-59.1 CHANGING THE ADJUSTMENT OF FEES TO APPLY A FIFTY (50) PERCENT ADJUSTMENT TO THE ENTIRE BILL AMOUNT FOR QUALIFIED CUSTOMERS RATHER THAN A ONE HUNDRED (100) PERCENT ADJUSTMENT TO RATE INCREASES ONLY; AND TO AMEND SECTION 16-60 TO INCREASE SANITARY SEWER TAP ON FEES.

WHEREAS, the costs of operating sanitary sewer facilities and all associated systems have risen dramatically since sewer user rates have last been considered; and

WHEREAS, significant maintenance has been deferred over time due to limited revenues; and

WHEREAS, serious maintenance needs and essential capital improvements in the system are now imminent, requiring increased revenues to fund both maintenance and improvements.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

Section 1 - That Section 16-48 of the Code of Ordinances, Lexington-Fayette Urban County Government, be and hereby is amended to read as follows:

- (a) Every person engaged in the business of disposing of sewage, sewage waste or similar refuse when disposal of same is made from within the limits of the urban county shall dispose of the same under the following terms and conditions:

(1) Any conveyance used for the hauling of sewage, sewage waste or similar refuse shall be equipped with waterproof tanks with tight-fitting covers so as to be free from leakage in the course of transportation.

(2) All such sewage, sewage waste and similar refuse shall be disposed of at the town branch sewage treatment plant septage receiving station maintained by the urban county government at such hours as may be designated by the director, division of water and air quality.

(3) All tanks, after having been emptied as herein provided, shall be thoroughly cleaned before leaving the disposal area.

(b) All vehicles and conveyances used in such manner as to be affected by the terms of this section shall be first approved by the board of health and a permit for their use obtained from such board.

(c) Any person disposing of sewage, sewage waste or similar refuse as herein provided shall pay to the urban county government, director, division of revenue, a fee as follows, based on tank capacity, such fee being due for each tank, or portion of tank, of such waste disposed of as herein provided.

TABLE INSET:

Tank Capacity (gallons)	Fee through June 30, 2009	Effective July 1, 2009
500 or less	\$24.00	\$32.00
501 to 700	30.00	40.00
701 to 900	36.00	49.00
901 to 1000	41.00	55.00
1,000 or more, per gallon	0.047	0.063

(d) Every person who shall dispose of such sewage, sewage waste or similar refuse, as herein provided, shall make application to the urban county government, director, division of revenue, for a permit and shall purchase from the director, division of revenue, a book of tickets in the amount of fifty dollars (\$50.00) for the right to use the facilities of the urban county government in disposing of sewage waste and similar refuse. Before any person shall be permitted to use such facilities, he shall deliver to the person in charge of the disposal plant tickets in the amount of the fee as provided in subsection (c) of this section. All moneys received under the provisions of this section shall become a part of the urban county government sewer revenue fund.

(e) The emptying of sewage, sewage waste or similar refuse into any sanitary sewer or storm sewer which leads into or is a part of the urban county government's sanitary sewer system or storm sewer is specifically prohibited; and nothing contained in this section shall be construed to approve in any manner of disposal of sewage, sewage waste or similar refuse except as provided in this section.

(f) The urban county government recognizes no obligation to receive and treat at its sewage treatment plant any sewage, sewage waste or similar refuse hauled there in vehicles or conveyances and tendered for such purpose. In the event the urban county government shall see fit to suffer such use of the services and facilities of the sewage treatment plant, the conditions thereof and rates and charges applicable thereto shall be as set forth in this section, or as the same may be amended from time to time.

(g) All materials listed under section 16-43 (materials forbidden to be discharged into public sewer) are likewise forbidden to be discharged at the town branch sewage treatment plant septage receiving station.

Section 2 – That Section 16.57.1 of the Code of Ordinances, Lexington-Fayette

Urban County Government, be and hereby is created to read as follows:

All rates and fees set forth in sections 16-48, 16-59, and 16-60 shall be adjustable each July 1 beginning on July 1, 2010, by an amount based upon the Consumer Price Index for All Urban Consumers, the U.S. City Average ("CPI-u") published monthly by the Bureau of Labor Statistics. These rates shall be adjusted up if so indicated by a factor determined by averaging the monthly CPI-u published for the 12-month period ending, and including, April of the year before the July 1 adjustment.

Section 3– That Section 16-59 of the Code of Ordinances, Lexington-Fayette

Urban County Government, be and hereby is amended to read as follows:

Rates and charges for sanitary sewer service are hereby established as follows:

(a) *Schedule A:* Rates and charges shall be as follows:

(1) This schedule shall apply to users whose sewage originates solely from the result of human habitation in dwelling units which are individually metered for water service, defined herein to be a room or suite of two (2) or more rooms that is designed for, or is occupied by, one (1) family doing its own cooking therein and having only one (1) kitchen; however, "dwelling unit" shall not include a boardinghouse, motel or hotel as defined in the zoning ordinance. Residential users whose sewage originates solely from the result of human habitation in dwelling units as defined herein shall be charged the rate of three dollars and fifty cents (\$3.50) through June 30, 2009, and four dollars and seventy-three cents (\$4.73) effective July 1, 2009, for any amount between zero and the first one hundred (100) cubic feet (one (1) unit, equivalent of seven hundred and forty-eight (748) gallons) of incoming water used per residential unit per month for the first unit of incoming water per month.

(2) For all amounts in excess of one unit of usage, users shall be charged at the following unit cost, as established by the commissioner of environmental quality, in accordance with the provisions of this Code:

Flow per 1 unit of incoming water . . . \$2.64 through June 30, 2009,
and \$3.56 effective July 1, 2009

(b) *Schedule B:* Rates and charges shall be as follows:

(1) Users, other than those users charged under schedule A of this section, whose parameter loadings are established by the commissioner of public works in accordance with the provisions of this Code, shall be charged the rate for each parameter according to the following:

Flow per unit of incoming water for any amount between zero and
the first unit . . . \$4.25 through June 30, 2009, and \$5.73
effective July 1, 2009

Flow per unit over 1 unit . . . \$3.20 through June 30, 2009, and
\$4.32 effective July 1, 2009

Plus

Suspended solids discharged, per pound in excess of 250 ppm . . .
0.478 through June 30, 2009, and 0.645 effective July 1,
2009

Ammonia nitrogen discharged, per pound in excess of 25 ppm . . .
1.45 through June 30, 2009, and 1.958 effective July 1, 2009

Biochemical oxygen demand discharged, per pound in excess of
250 ppm . . . 0.577 through June 30, 2009, and 0.779
effective July 1, 2009

(2) The urban county government will permit the installation of a separate water meter for those users as defined under schedule B. The installation of meters will be at the expense of the customer. This meter will measure the amount of water used that does not go into the sewer system and can then be excluded from the billing.

(c) Any user subject to schedule A who is the legal title/leaseholder/renter of the benefited property who is age 65 or older and whose annual household income (as defined in section 16-59.1 below) is \$25,000 or less, said amount of income to be adjusted annually in accordance with the Social Security Administration's cost of living adjustment, can apply for a senior discount. Upon acceptance for the discount, said user's bill shall be decreased by thirty (30) percent of the billing amount or the amount of the rate for the first unit of usage, whichever is greater.

Section 4— That Section 16-59.1 of the Code of Ordinances, Lexington-Fayette

Urban County Government, be and hereby is amended to read as follows:

(a) As used in this section only, the following terms shall have the meanings given:

(1) *Assets test* means that any person having assets in excess of either:

(i) Five thousand dollars (\$5,000.00) in liquid assets such as bank accounts, savings, certificates of deposits, stocks, bonds, etc.; or

(ii) Five thousand dollars (\$5,000.00) in equity in assessed value of nonhomestead property;

shall be ineligible to participate in the program, notwithstanding that he meets the income level qualifications set forth in this section. However, motor vehicles for personal use, household furnishings and the benefited property itself, as well as buildings located thereon which are occupied by the person seeking to qualify as a home for himself and his family, shall not be included in computing assets.

(2) *Income* means total cash receipts to the residential sewer user customer and any co-habitant after taxes from all sources. These sources include money, wages and salaries after any deductions required by law, but not including food or rent in lieu of wages. They include receipts from self-employment or from one's own farm or business after deductions for business or farm expenses. They include regular payments from public assistance, social security, unemployment and worker's compensation, strike

benefits from union funds, veteran's benefits, training stipends, alimony and military family allotments or other regular support from an absent family member or someone not living in the household; government employee pensions, private pensions and regular insurance or annuity payments; and income from dividends, interest, rents, royalties or income from estates and trusts. For eligibility purposes, income does not refer to the following money receipts: Any assets drawn down as withdrawals from a bank, sale of property, house or car, tax refunds, gifts, one-time insurance payments or compensation for injury; also to be disregarded is noncash income, such as the bonus value of food and fuel produced and consumed on farms and the imputed value of rent from owner-occupied farm or nonfarm housing.

(3) *Program* means the grant program established in this section.

(4) *Qualified customer* means a residential sewer user customer who meets the assets test and has an annual income equal to or less than one hundred twenty-five (125) percent of the poverty income levels set forth in the poverty guidelines chart established by the Community Services Administration, annually published in the Federal Register, in effect at the time of application. However, income itself shall be measured by the definition contained in subsection (a)(2) of this section.

(b) Qualified customers may receive up to a fifty (50) percent grant for the cost of their sewer user charges, decreasing their obligation to fifty (50) percent of the total charges on the bill or the amount of the rate for the first unit of usage, whichever is greater.

(1) All payments of sewer user fee grants by the urban county government are subject to an annual appropriation by the urban county council of the funds to make such payments, and neither the establishment of this program nor participation in the program shall constitute a contract between the urban county government and any qualified property owner for other than the fiscal year for which funds are appropriated to make payments. In the event funds are not appropriated for any given fiscal year, customers will be required to pay the full cost for that year.

All payments of sewer user fee grants by the urban county government are subject to an annual appropriation by the urban county council of the funds to make such payments, and neither the establishment of this program nor participation in the program shall constitute a contract between the urban county government and any qualified property owner for other than the fiscal year for which funds are appropriated to make payments. In the event funds are not appropriated for any given fiscal year, customers will be required to pay the full cost for that year.

(c) The administration of this program shall be under the direct supervision of the mayor of the urban county government. The mayor may prescribe such regulations and procedures, consistent with the provisions of this section, as he deems necessary or appropriate to carry out the intentions stated herein. The commissioners of the departments of finance, public works and social services shall be responsible for administration of aspects of the program at the direction of the mayor.

Section 5- That Section 16-60 of the Code of Ordinances, Lexington-Fayette

Urban County Government, be and hereby is amended to read as follows:

(a) Prior to every future tap-on or connection to any sewer pipe, main lateral, trunk line, interceptor or other installation or facility of the sanitary sewer system, there shall be paid to the director, division of revenue, a fee or charge, hereby established, which shall be solely for the privilege of connecting to the system and which shall be in addition to the requirement, as prescribed in section 16-38, that connections to the system be made at the sole expense of the connecting property owner. Such tap-on, connection or privilege fee is established and fixed as follows:

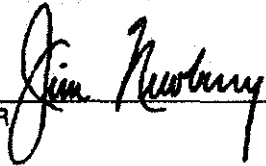
(1) Single-family residences occupying lots:		
	Through June 30, 2009	July 1, 2009
Of 1/4 acre or less . . .	\$ 622.00	\$ 839.00
From 1/4 to 1/2 acre . .	1,155.00	1,558.00
From 1/2 to 3/4 acre . .	1,689.00	2,279.00
From 3/4 to 1 acre . . .	2,311.00	3,118.00
Larger than 1 acre . . .	2,933.00	3,957.00
 (2) Apartments:		
	Through June 30, 2009	July 1, 2009
Each efficiency unit . . .	249.00	336.00
Each 1-bedroom unit . . .	462.00	623.00
Each 2-bedroom unit . . .	604.00	815.00
3- or 4-bedroom unit . . .	747.00	1,008.00
Minimum for each apartment building . . .	1,244.00	1,678.00
 (3) Motels:		
	Through June 30, 2009	July 1, 2009
Each living unit . . .	462.00	623.00
 (4) Trailer parks:		
	Through June 30, 2009	July 1, 2009
Each trailer or space . . .	622.00	839.00
 (5) Service stations:		
	Through June 30, 2009	July 1, 2009
Each station . . .	3,555.00	4,796.00
 (6) Restaurants, business, professional, commercial and industrial buildings:		
	Through June 30, 2009	July 1, 2009
A fee to be per square foot of floor space071	.096
Minimum fee for each urban county government sewer connection . . .	622.00	839.00
 (7) Storage areas:		
	Through June 30, 2009	July 1, 2009
A fee to be per square foot of floor space148	.200
Minimum fee for each urban county government sewer connection . . .	622.00	839.00
 (8) Swimming pools:		
	Through June 30, 2009	July 1, 2009
For the erection of each swimming pool, a fee 100 cubic feet . . .	1.067	1.440
 (9) School establishments:		
	Through June 30, 2009	July 1, 2009
The fee for each urban county		

government sewer connection,
per square foot of floor space356 .480

(b) However, neighborhoods which are served by septic tanks and which are identified for sewer installation in the urban county government's 1976 201 Facilities Plan for Wastewater Treatment Works and were further identified in a capacity reservation resolution as at the previous rate, shall pay the tap-on fee rates in effect prior to July 1, 1986.

Section 6- That this Ordinance shall become effective for bill issued on and after
May 1, 2008.

PASSED URBAN COUNTY COUNCIL: February 21, 2008


MAYOR

ATTEST:


CLERK OF URBAN COUNTY COUNCIL

PUBLISHED: February 27, 2008-1t

REB/CO07-CC1693/00148855

PSC CASE NO. 2012-000520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
RESPONSES TO KENTUCKY-AMERICAN WATER COMPANY'S
DATA REQUESTS FOR INFORMATION

Witness: **William O'Mara/Legal Objections David Barberie**

15. What are the current estimated capital expenditures required to comply with the consent decree reached between the LFUCG and the United States Environmental Protection Agency? With respect to these expenditures, please fully describe:
- (a) The time frame for the expenditures; and
 - (b) How LFUCG plans to finance the expenditures.

Response:

LFUCG objects to the relevance of this question as it has no reasonable relationship to any relevant matter in this case. Without waiving its stated objections the LFUCG submitted a Remedial Measures Plan to the EPA with an estimated amount for capital expenditures in excess of \$591 million. A copy of the plan is attached. In addition, LFUCG is required to spend an additional \$30 million on flood/storm related capital projects. To date it is has incurred more than \$5 million of the \$30 million in related expenses. There are also two additional required capital projects which are estimated to cost over \$1.3 million.

LFUCG has not determined how all of these expenditures will be financed. Different methods of financing available to local governments, including the issuance of bonds or low interest loans, will be considered, with the determination ultimately made by the Urban County Council.

PSC CASE NO. 2012-000520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
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DATA REQUESTS FOR INFORMATION

Witness: William O'Mara

16. Has LFUCG identified what the impact to sanitary sewer service fees, landfill user fees, water quality management fees, taxes or other revenues sources will be to provide for the financing referred to Item No. 15?
- (a) If the answer is yes, please provide that information.

Response:

No. The landfill user fee is not impacted by the Consent Decree and cannot be used as a funding source. At the present time the only revenue source which has been identified as a funding source for the Consent Decree Work is the sanitary sewer fee and the water quality management fees, dependent upon whether the work or services are related to sanitary sewers or water quality management.

PSC CASE NO. 2012-000520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
RESPONSES TO KENTUCKY-AMERICAN WATER COMPANY'S
DATA REQUESTS FOR INFORMATION

Witness: William O'Mara/Legal Objections David Barberie

17. State the amount of capital expenditures LFUCG has incurred for its storm sewer and sanitary sewer systems since January 1, 2008.

Response:

LFUCG objects to this request as it is overly broad and unduly burdensome and it has no relevance to any issues in this case. LFUCG has not tracked this information in the format requested.

Without waving its stated objections, these expenditures can generally be extrapolated from reviewing LFUCG's Comprehensive Annual Financial Reports, which are publicly available for review for each fiscal year dating back to Fiscal Year 2006 on the LFUCG's website at the following link:

<http://www.lexingtonky.gov/index.aspx?page=161>

In addition, a copy of the Sanitary Sewer Projects Table from LFUCG's required First Quarter 2013 Consent Decree filing is attached.

Table 1.1
Sanitary Sewer Projects
CD Quarterly Report
First Quarter 2013

Project	Construction Begin	Construction Completion	Cost	Description	Progress This Quarter
North Elkhorn Force Main (NEFM)	Late Summer 2008	Fall 2009	\$ 11,768,361	NEPS 4th largest SSO, will service the entire NE Sewershed including Winchester Road, I-75 area, Dixie/Eastland Pkwy areas	Deadline Met
North Elkhorn Pump Station (NEPS)	Winter 2007	Fall 2008	\$ 4,077,710	Included state grant of \$1,691,500; serves same area NEFM; NEPS 4th largest SSO, will service the entire NE Sewershed	Deadline Met
South Elkhorn Force Main (SEFM)	March 2009	Fall 2010	\$ 11,289,024	SEPS is the worst SSO contributor/serves south Lexington	Deadline Met
South Elkhorn Pump Station (SEPS)	April 2009	Fall 2010	\$ 3,952,024	Includes \$1,146,000 federal grant/upgrade to existing pump station	Deadline Met
Blue Sky Package Treatment Plant Elimination			\$1,930,000 Estimate	Supplemental Environmental Report (SER) to eliminate the plant	Proposal for force main reroute and elimination of the Citter's Hill pump station submitted for Council approval.
Dixie Pump Station	Late Winter 2011	Spring 2012	\$ 508,100	Required in the Consent Decree	Deadline Met
Deep Springs Pump Station	Spring 2011	Spring 2012	\$ 2,237,757	Required in the Consent Decree	Deadline Met
EAZA Pump Station/Force Main	Fall 2012	Winter 13/14	\$ 7,121,367	1 PS to replace 4 existing PSs, 3 of which are Priority SSOs	Force main construction began.
Bluegrass Airport Pump Station & Force Main Improvements*	Summer 2010	Late Winter 2011	\$ 468,884	Priority SSO	Completed
EH-12 - Century Hills Trunk Replacement	Fall 2013	Summer 2014	\$1,515,000 Estimate	This RMP project will upsze 3,127 linear feet of the trunk sewer to address capacity problems that contribute to SSOs.	Engineering design began this quarter utilizing existing Indefinite Services Agreement.
EH-13 - East Lake Trunk Replacement	Summer 2013	Winter 13/14	\$735,000 Estimate	This RMP project will upsze 1,842 linear feet of the trunk sewer to address capacity problems that contribute to Monitoring List SSO.	Engineering design began this quarter utilizing existing Indefinite Services Agreement.
WR-10 - Bob-O-Link Trunk Replacement	Summer 2013	Spring 2014	\$2,928,000 Estimate	This RMP project will upsze 5,000 feet of the trunk sewer to address capacity problems for three SSOs.	Engineering design continued this quarter utilizing existing Indefinite Services Agreement.
WR-11 - Wolf Run Pump Station/Force Main	Summer 2012	Winter 2013	\$ 9,088,626	Priority SSO	Force main bid, recommendation pending Council approval.
TB-01 - Town Branch Wet Weather Storage Tank	Winter 2014	Summer 2015	\$30,000,000 Estimate	This RMP project will create up to 44 MG storage at the Town Branch WWTP to address WWTP capacity issues.	Scope of Services (RFP) circulated utilizing the new Indefinite Services Agreement for Contract 1 (Wet Weather Storage).

*Bluegrass Airport oversaw this project. LFUCG paid 50% of the project costs.

PSC CASE NO. 2012-000520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
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DATA REQUESTS FOR INFORMATION

Witness: William O'Mara/Legal Objections David Barberie

18. State the amount of capital expenditures LFUCG estimates incurring for its storm sewer and sanitary sewer systems in the next ten years. If available, please provide the estimated amount for each year for each system.

Response:

LFUCG objects to this request as it is overly broad and unduly burdensome and it has no relevance to any issues in this case. Without waving its stated objections, LFUCG typically only projects capital projects out on a 5 year basis. In addition to the consent decree related projects it is estimated that more than \$45 million will be spent on these projects through Fiscal Year 2019.

PSC CASE NO. 2012-000520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
RESPONSES TO KENTUCKY-AMERICAN WATER COMPANY'S
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Witness: **William O'Mara/Legal Objections David Barberie**

19. Provide the number of complaints LFUCG has received from customers, whether in writing, by telephone, in person, or otherwise, regarding sanitary sewer service bills, landfill user fees, and water quality management fees since KAW discontinued providing billing services.

Response:

LFUCG objects to this request as being overly broad and unduly burdensome. Without waving its stated objections, LFUCG does not have a process in place which segregates out complaints from other inquiries or comments regarding bills. Based upon reasonable inquiry LFUCG believes that since the inception of the LEXserv billing GCWW has fielded over 63,000 calls related to LEXserv bills. In addition, LFUCG's 311 system fielded over 3700 calls related to LEXserv bills, and the Division of Revenue fielded more than 1,000 calls or face-to-face contacts regarding the bills. All of these numbers are general, so they include inquiries, comments and complaints.

PSC CASE NO. 2012-000520
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT'S
RESPONSES TO KENTUCKY-AMERICAN WATER COMPANY'S
DATA REQUESTS FOR INFORMATION

Witness: **William O'Mara**

20. Please admit or deny that during the period KAW was providing billing services to LFUCG, LFUCG received calls from KAW's customers with questions regarding their water bill or water service.

Response:

Yes. LFUCG received calls from KAW customers related to the above question during this time period.