Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 16.

Refer to the Black & Veatch study, page 4. The proposed rates for CCWD differ from the rates approved by the Hopkinsville city council in the ordinance of May 6, 2005. Explain the discrepancy.

RESPONSE:

The Water Rate Ordinance was proposed using the March 6, 2005 draft cost of service study prepared by Black & Veatch. On March 16, 2005 Black & Veatch modified the proposed water rates in the final cost of service study due to a change in bonding, which lowered the rate slightly. Because of scheduling factors, the Water Rate Ordinance was not changed to reflect the slightly lower rates in the final B&V Report. The Tariff Sheet submitted to the Commission for the new wholesale rates for the CCWD reflect the rates in the B&V Report, rather than the slightly higher rates contained in the May 3, 2005 Water Rate Ordinance.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Jennings Rowe McKinley II

DATA REQUEST NO. 17.

Are the wholesale rates shown on page 4 of the Black and Veatch study cost based rates or are they the retail rates times a factor of 1.3?

a. If the wholesale rates are multiplied of 1.3, how was the fourth block determined and why? Provide all calculations and assumptions used to develop the $1.93 rate for CCWD.

RESPONSE:

Please see HWEA's Response to Commission Information Request No. 15.

In response to the question raised in CCWD Data Request No. 17a, the following is the mathematical derivation of the unit volume cost for the fourth block based on the assumptions embodied in the B&V Report:

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Sponsoring Witness:	Jennings Rowe McKinley II

First Block Revenue	30 Ccf x \$2.72/Ccf x 12 x 12	=	\$ 11,750
Second Block Revenue	30 Ccf x \$2.38/Ccf x 12 x 12	=	\$ 10,282
Third Block Revenue	30 Ccf x \$1.72/Ccf x 12 x 12	=	\$ 7,430
Total Revenue Blocks 1-3		=	\$ 29,462

Cost Recovered in Block 4:

Total CCWD Cost of Service (Table 18)	=	\$ 854,300
Less Revenue from Blocks 1 -3	=	\$ 29,462
Balance of Cost of Service from Block 4	=	\$ 824,838

Total Block 4 Consumption:

Total CCWD Consumption (Table 2)	=	432,000 Ccf
Total Block 1-3 Consumption	=	12,960 Ccf
Total Block 4 Consumption	=	419,040 Ccf

Total Block 4 Unit Price $824,838/419,040 Ccf = 1.97/Ccf

The application of a billtab adjustment factor used to recognize the difference between calculated revenue and actual revenue brings the unit price for block 4 to $1.93/Ccf.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
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Sponsoring Witness: Jennings Rowe McKinley II

DATA REQUEST NO. 18.

Are any of the wholesale rates on page 4 of the Black & Veatch study calculated in accord with the same AWWA ratemaking principles used to develop the retail rates? If no, explain the differences in the calculation of the wholesale rate.

RESPONSE:

The overall rate schedule for wholesale service to the CCWD shown on page 4 of the B&V Report is designed to recover the total cost of service allocated to the CCWD. Also, please see HWEA's Responses to CCWD Data Requests Nos. 12, 13 and 17.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Jennings Rowe McKinley II and Lennis Franklin Hale

DATA REQUEST NO. 19.

Is the Black and Veatch study based on budget projections or actual historical data?

a. If based on budget, what is the budget year? Provide all assumptions used to develop all expenses and revenues for the budget.

RESPONSE:

The B&V Report is based on both the FY 2005 Budget and actual historical data.

The FY 2005 Budget was used as the basis for operation and maintenance expenses. Please see HWEA's Response to Commission Information Request No. 3b.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 19.

Is the Black and Veatch study based on budget projections or actual historical data?

b. If based on budget, provide a comparison of actual and budget revenues and expenses for the water system for the last five years.

RESPONSE:

A comparison of actual and Budgeted expenses for the Hopkinsville Water Division for FY 2000, FY 2001, FY 2002, FY 2003, and FY 2004 are attached as Exhibit No. 19b.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 20.

Refer to Black & Veatch study, page 12. Provide a schedule of the five years capital program showing each project by description, year of expected completion and estimated cost.

a. Explain the source of the information from "staff" and how the estimates were determined.

RESPONSE:

A copy of the FY 2005-06 HWEA Five Year Capital Improvement Program is attached as Exhibit No. 20.

The HWEA Five Year Plan is developed by the HWEA staff and approved by the HWEA Board of Commissioners. The estimates are based on in-house calculations and recently, bid projects of similar scope.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Lennis Franklin Hale

DATA REQUEST NO. 20.

Refer to Black & Veatch study, page 12. Provide a schedule of the five years capital program showing each project by description, year of expected completion and estimated cost.

b. What steps has the HWEA taken to begin implementing these estimated improvements?

RESPONSE:

Each year HWEA implements the line item capital projects for that year. HWEA adjusts the Five Year Program annually, removing completed projects and pulling up projects from the Long Range Plan.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
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Sponsoring Witness: Jennings Rowe McKinley II

DATA REQUEST NO. 20.

Refer to Black & Veatch study, page 12. Provide a schedule of the five years capital program showing each project by description, year of expected completion and estimated cost.

c. How are these estimates consistent with the ratemaking principle of known and measurable?

RESPONSE:

The planned raw water intake replacement project, which represents 94% of the projected capital improvement program, is based on engineering studies and can reasonably be expected to occur, given the fact that revenue bonds were issued in May of 2005 in order to finance the project.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
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Sponsoring Witness: Jennings Rowe McKinley II

DATA REQUEST NO. 21.

Refer to Table 6 of the Black & Veatch study. Under projected O&M expenses, there is not an increase until 2007. Explain why rates need to be increased now to recover expenses that have not yet been incurred.

RESPONSE:

Operation and maintenance expenses are projected to increase each year of the study period due to the combined effects of inflation, anticipated system growth and projected increases to power costs associated with the planned raw water intake replacement project.

Case No.: 2005-00174
Questions From: Christian County Water District – September 9, 2005
Response from: Hopkinsville Water Environment Authority
Sponsoring Witness: Jennings Rowe McKinley II

DATA REQUEST NO. 22.

Refer to the Black & Veatch study, page 18. What is a reasonable margin of coverage in excess of anticipated minimum bond coverage requirements?

a. Why is any margin over bond coverage requirements needed.

RESPONSE:

The reference to "a reasonable margin of coverage in excess of anticipated minimum bond coverage requirements" is one of the two principal criteria mentioned on Page 18 of the B&V Report in terms of establishing the overall revenue requirements to be met from rate revenues. Please see HWEA's Response to Commission Information Request No. 15.