

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

Parksville Water District
v.
City of Danville, KY

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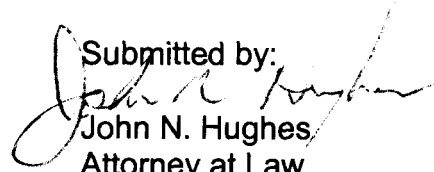
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) CASE NO. 2007-00405
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PUBLIC SERVICE
COMMISSION

Initial Data Request of Parksville Water District

Submitted by:



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Attorney for Parksville Water District

Certification:

I certify that a copy of this Request was mailed to Edward Hays, Box 1517, Danville, KY 40423-1517 and Katherine Yunker, Box 21784, Lexington, KY 40522-1784, the 18th day of April, 2008.

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1. State the name of each person that participated in the preparation of responses to these questions.

2. Provide the dates that Danville has increased wholesale water rates to Parksville Water District since 2004.

3. Provide the independent auditor's reports for Danville's water operations for the years it has increased its wholesale rate to Parksville Water District since 2004.

4. State the test period upon which each increase in wholesale water rates to Parksville is based.

a. Explain why each test period was chosen.

b. State the amount of each rate increase in dollars and in percentage.

5. Provide the cost of service study used to justify each wholesale rate increase and all calculations, workpapers and assumptions used to calculate each increase in wholesale water rates to Parksville Water District. If no cost study was prepared, provide all calculations, workpapers and assumptions used to calculate the wholesale rate.

6. Provide the city ordinance or resolution authorizing each wholesale water rate increase to Parksville Water District since 2004.

a. Provide all minutes of the meetings of the city utility board or city commission since 2004 that include discussions of the increases in wholesale water rates.

7. Provide the contract or other authority relied upon by the city to increase the wholesale rate to Parksville.

8. Provide any notice provided by the city to Parksville Water District of each wholesale water increase since 2004.

9. Provide any notice provided by the city to the Public Service Commission of each wholesale water increase to Parksville since 2004.

10. Provide any tariff filings submitted to the Public Service Commission since 2004 related to changes in wholesale water rates.

11. Does the city provide wholesale water to any other regulated water utility?

a. If yes, provide the names of the utilities.

b. Have the wholesale water rates to those utilities been increased since 2004?

c. If yes, provide the dates of the increases, the amounts of the increases, the dates the tariffs reflecting the increases were filed with the PSC and a copy of the notice of the increase given to the utility.

13. Was the methodology used to calculate the increase to wholesale customers other than Parksville the same methodology used to calculate the increase to Parksville?

a. If not, explain the differences in the methodologies and why the different methodologies were used.

14. In its Answer filed January 3, 2008, the city refers to Ordinance 1536, dated September 30, 1997. Section Three of that ordinance refers to an annual increase in

water rates in accordance with KRS 83A.075. Explain how that statute relates to an increase of water rates.

15. State whether Danville considers the Consumer Price Index to be an accurate measure of changes in the cost of providing wholesale water service. If yes, explain why.

16. Provide the annual computation by the Kentucky Finance and Administration Cabinet of the purchasing power of the dollar referenced in Ordinance 1536 for each year since 2003.

17. In Case No. 2006-00067, Order dated November 21, 2006, the Commission voiced the following criticism of the Consumer Price Index:

[T]he proposed mechanism, which is based upon the CPI, is based upon too large and diverse a group of goods and services. The CPI is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. This basket contains 8 major categories of goods and services: food and beverages; housing; apparel; transportation; medical care; recreation; education and communication; and other goods and services. Several of these categories are unrelated to the provision of water service. Their presence in the basket limits the CPI's accuracy as an adjustment mechanism. For example, increases in the cost of food and beverages, apparel and education would produce a positive increase in the CPI but have no effect on the cost of goods and services that are used to provide water service. An automatic adjustment mechanism must provide an accurate measurement of changes in the cost of providing water service. It therefore should be based principally on those goods and services that are reasonably likely to be used to provide water service.

State whether Danville agrees with this criticism. Explain.