

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER)	
DISTRICT NO. 1 TO ADJUST ITS RATES FOR)	CASE NO. 2013-00050
SEWER SERVICE)	

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

Hardin County Water District No. 1 ("Hardin District") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and eight copies of the following information, with a copy to all parties of record, no later than October 15, 2013. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Hardin District shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Hardin District fails or refuses to furnish all or part of the requested information, Hardin

District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total utility operations and jurisdictional operations.

1. In response to Commission Staff's First Request for Information ("Staff's First Request"), Item 14, Hardin District stated that "[w]ithout knowing the method or seeing the calculation the Commission staff used to develop its own 2012 revenues, it is not possible to comment on whether the Commission number is more or less accurate." Commission Staff used information provided in the application at Appendix E, Schedules from Rate and Cost of Service Model (Page 161). Using the numbers provided by Hardin District, Commission Staff calculates numbers that are slightly different from those shown in the last three columns. For example, Hardin District's calculations for the line starting with 2,000 show:

From	To	Average Usage	Account	Bills	Minimum Charge	Volume Charge for Average Use	Monthly charge for average use	Calculated Revenue From Minimum Charge	Calculate Revenue from volume Charge for Avg. Use	Calculated Total Revenue
2,000	2,999	2,500	1431	17,172	17.11	2.79	19.9	293,804	47,861	341,665

Commission Staff's calculations for the same line appear below and show a difference of \$57.80.

From	To	Average Usage	Accounts	Bills	Minimum Charge	Volume Charge for Average Use	Monthly charge for average use	Calculated Revenue From Minimum Charge	Calculate Revenue from volume Charge for Avg. Use	Calculated Total Revenue
2,000	2,999	2,500	1431	17,172	17.11	2.79	19.9	293,812.92	47,909.88	341,722.80

a. As stated in the original question, using the information from this exhibit, Commission Staff calculated total revenue as \$3,412,312.52. In Exhibit E, Page 161 of the Application, Hardin District calculated total revenue as \$3,406,387. In response to Staff's First Request, Item 13, you have restated a Total Rate Year Revenue from Existing Rates and Charges (Calculated) equaling \$3,373,632 (page 197). Explain the discrepancies in the revenues calculated from information provided by Hardin District.

Commission Staff Calculated Revenue	\$3,412,312.52
Hardin District Calculated Revenue Application Exhibit E	\$3,406,387.00
Hardin District Calculated Revenue Response to Item 13	\$3,373,632.00

2. Refer to Excel Spreadsheet titled HCWD1_Radcliff_Rate 2013 Model_Final, in the tab marked Wholesale. The rate calculated is calculated using only the Wastewater Treated by the Radcliff plant for your current customer base. In the Application, Appendix E, Schedules from Rate and Cost of Service Model, Section V, page 93, you state that "HCWD1 participated in preliminary discussions with a potential customer related to provided waste water conveyance and treatment services on a wholesale basis."

a. Why is the revenue and expense for the treatment of the anticipated wastewater of the potential wholesale customer not included in the calculations?

b. What is the status of the discussions with the potential wholesale customer?

c. If you should have included an estimated amount to be treated, update this information and calculate the rate.

3. In response to the Commission Staff's Second Information Request ("Staff's Second Request"), Item 1(a), page 5, Hardin District provided an Organizational Chart for 2013 updated to include the two newest Board of Commissioner members. Explain in detail why the Fort Knox Storm Water Division is not listed in the Organizational Chart.

4. Refer to the response to Staff's Second Request, Item 1(c), page 2, and the Pre-filed Testimony, Exhibit 3, at 133 and 149. Hardin District states that funds for the vacant Customer Service Representative position have not been included in its 2013 budget and that it has no immediate plans to fill the position.

a. Refer to the Pre-Filed Testimony, page 133. Confirm that the costs for the Customer Service Representative position are not included in the Customer Service Labor for the test year of \$151,356.

b. Refer to the Pre-Filed Testimony, page 149. Confirm that the costs for the Customer Service Representative position are included in the \$4,014 adjustment to the Customer Service Labor Expense.

5. Refer to the response to Staff's Second Request, Item 1(b), and the Pre-Filed Testimony, Exhibit 3, pages 146-151.

a. Are the hourly rates listed in the "Current Hourly Rate" column of Exhibit 3, pages 146-151, being paid in 2013 as shown in the response to Staff's Second Request, Item 1(b), page 6?

b. Is Hardin District multiplying the wage rates in the "Current Hourly Rate" column of Exhibit 3, pages 146-151, by 2,080 regular hours to calculate the 2012 test-year salaries?

c. Identify the hourly rates that Hardin District is using to calculate the salaries in the column "Rate Year" in Exhibit 3, pages 146-151.

6. Refer to the Pre-Filed Testimony, Exhibit 3, pages 133, 146, and 151.

a. Provide detailed reconciliations for each of the following expense account balances.

	Expense Title	2012 Test Year Page 133	\$ Allocation Pages 146-151
(1)	Administrative Labor	\$ 102,927	\$ 150,399
(2)	Customer Service Labor	\$ 151,356	\$ 166,557
(3)	Collection System Labor	\$ 91,059	\$ 129,473

b. Are the amounts listed in the column "2012 Test Year" on Exhibit 3, page 133, the actual expenses incurred by Hardin District in the calendar year 2012?

c. If the response to 6(b) is no, provide the actual 2012 expenses.

d. Identify each adjustment listed in the "Adjustments" column on Exhibit 3, page 133, that is based upon the 2013 or 2014 budgets.

7. Refer to the response to Staff's Second Request, Item 1(b) and Item 3.

a. There is a discrepancy between the health insurance premium Hardin District reports for its general manager and those of the rest of its employees. Is the General Manager receiving family health insurance coverage (spouse and/or dependents)?

b. If the response to 7(a) is no, provide a detailed explanation for the difference between the premiums.

c. In the December 21, 2000 Board of Commissioners meeting minutes, the board authorized a flex-benefit payment to each employee of \$100 per month, but in the employee schedule filed in response to Item 1(b), the flex benefit payment for 2012 is listed as \$1,680 (\$140 per month) per employee. Provide the minutes of the Board of Commissioner meeting authorizing the \$140 per month flex-benefit payment to each employee.

8. Refer to the response to Staff's Second Request, Item 3(b). Explain why, in light of the holding of *Caldwell County Fiscal Court v. Paris*, 945 S.W.2d. 952 (Ky.App. 1997), the cost of health insurance coverage provided to members of Hardin District's Board of Commissioner in excess of the level of coverage provided to other Hardin District employees should not be considered as salary in excess of the amount authorized by Hardin County Fiscal Court and by KRS 74.020(6).

9. Refer to the Response to Staff's Second Request, Item 4(b).

a. Explain why a Commissioner who chooses to receive health insurance benefits is not allowed to participate in the Flex 140 plan.

b. Explain Hardin District's policy on providing its part-time employees with employee benefits.

c. How many hours in a calendar year do the members of the Board of Commissioners spend performing duties for Hardin District?

10. Refer to the response to Staff's Second Request, Item 9(c).

a. Identify the members of Hardin District's management who participated in the decision not to allocate to Fort Knox Storm Water and Fort Knox Water depreciation of the assets listed on pages 476 and 477 of the Application.

b. Explain in detail why Hardin District's management decided not to allocate any of the depreciation to Fort Knox Water after it took ownership on February 1, 2012.

c. Prior to the ownership transfer that took place on February 1, 2012, was depreciation being allocated to Fort Knox Water?

11. In the response to Staff's Second Request, Item 14(a), Hardin District provided copies of the city of Radcliff's financial statements. Financial information for the Radcliff Sewer is listed in the below table for the years 2006-2008. The 2009 and 2010 financial information for the Radcliff Sewer is provided in the annual audits Hardin District submitted to the Commission. Provide a description of what occurred between 2008 and 2009 that caused such a drastic shift in operating revenues and operating expenses.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Operating Revenue Less Grants	\$ 3,391,461	\$ 3,406,649	\$ 2,629,542	\$ 3,413,421	\$ 3,566,605
Less Operating Expenses	<u>2,742,962</u>	<u>2,667,001</u>	<u>2,380,280</u>	<u>3,409,056</u>	<u>3,369,592</u>
Income From Operations	648,499	739,648	249,262	4,365	197,013
Non-Operating Revenue and Expenses	<u>(100,790)</u>	<u>(1,226)</u>	<u>(85,853)</u>	<u>(52,631)</u>	<u>(28,305)</u>
Income (Loss) Before Contributions	<u>\$ 547,709</u>	<u>\$ 738,422</u>	<u>\$ 163,409</u>	<u>\$ (48,266)</u>	<u>\$ 168,708</u>

12. Provide a schedule of the number of customers served by the Radcliff Sewer for the years 2004 through 2013.

13. Refer to the response to Staff's First Request, Item 6.

a. Using the rate case costs outlined in the response, provide an itemized calculation of the projected rate case cost, which includes costs for this filing that were incurred in prior years.

b. Identify the rate case amortization that Hardin District is requesting to recover in this proceeding.

14. Refer to the response to Staff's First Request, Item 10(d). In Case No. 2001-00211,¹ the Commission made the following finding regarding Hardin District's budgetary adjustments:

Where an applicant bases its application upon a historical test period, it must provide a "complete description and quantified explanation for all proposed adjustments with proper support for any proposed changes in price or activity levels, and any other factors which may affect the adjustment." That support should, at a minimum, include some documentary evidence to demonstrate the certainty of some expected change or event.

a. Given that 2013 has yet to be completed, explain how Hardin District's \$79,931 adjustment to reflect contract overages meets the above standard.

b. Provide the documentation to support Hardin District's proposed adjustment for contract overages.

15. Refer to the response to Staff's First Request, Item 16.

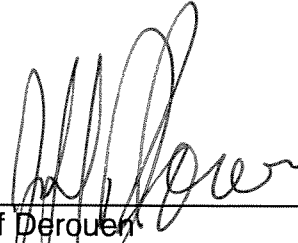
a. If contract overages are allowed on a routine basis, explain the incentive for Veolia North America-South LLC to control its operating costs.

b. Provide instances where a repair and maintenance cost was questioned and deemed not to be included in the repair and maintenance limit account.

c. Who pays for an expense that is questioned and is not included in the limit account?

¹ Case No. 2001-00211, *Application of Hardin County Water District No. 1 for (1) Issuance of Certificate of Public Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue its Evidence of Indebtedness Therefor; (3) Authority to Adjust Rates; and (4) Approval to Revise and Adjust Tariff (Ky. PSC Mar. 1, 2002)*, p. 7.

16. Refer to the response to Staff's First Request, Item 23(b). How is Hardin District's revenue requirement impacted by the July 1, 2013 retirement contribution rate of 18.89 percent?



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DATED SEP 24 2013

cc: Parties of Record

Case No. 2013-00050

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