



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
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Frankfort, Kentucky 40602-0615
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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda Breathitt
Commissioner

December 20, 2013

Re: Hardin County Water District #1
Case No. 2013-00050

Ladies and Gentlemen:

The enclosed memorandum has been filed in the record of the above-referenced case. Any comments regarding this memorandum's contents should be submitted to the Commission within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Ann Ramser, Commission Staff Attorney, at (502) 782-2585.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case No. 2013-00050
Hardin County Water District #1

FROM: Ann Ramser *ahr*
Staff Attorney

DATE: December 20, 2013

RE: Telephone Conference of December 19, 2013

At the request of Scott Schmuck with Hardin County Water District #1 ("HCWD"), a telephone conference was held on December 19, 2013. Mr. Schmuck requested the telephone conference to discuss Commission Staff's concern regarding HCWD salary and wage figures. Participating in the conference were:

Eddie Beavers	-	Commission Staff
Mark Frost	-	Commission Staff
Ariel Turnbull	-	Commission Staff
Ann Ramser	-	Commission Staff
George Wakim	-	Commission Staff
Bart Kreps	-	Rate consultant for HCWD
Scott Schmuck	-	HCWD

Attached is a copy of the electronic correspondence scheduling the telephone conference. Jennifer Black Hans, with the Office of the Attorney General, and David Williams, HCWD's attorney, were aware of the scheduled telephone conference, but both indicated they would not be participating in the telephone conference and they had no objection to Commission Staff discussing the issue with Mr. Schmuck and Mr. Kreps.

During the informal conference held on December 16, 2013, Mr. Frost provided a handout comparing his salary and wage figures for HCWD with the salary and wage figures provided by HCWD. A copy of this handout is attached. Mr. Schmuck and Mr. Kreps indicated that the 2012 test year wage and salary figures were taken from general ledger audit figures based on allocations at department (collection system, customer service, and administrative) level. For the 2012 test year figures, HCWD did not use wage and salary figures at the employee level.

HCWD's adjustment figures for the test year are based on the 2013 budget forecast of percentages allocated to each department. Mr. Frost indicated that budget or forecast figures cannot be used to make adjustments unless the general rate application is based on a fully forecasted test period. HCWD's current application is based on a historical test period. Because the adjustments are based on the 2013

budget, no connection exists between the 2012 test year figures provided by HCWD and the adjustment figures.

Mr. Kreps indicated that they could take the 2012 general ledger audit and determine the wage and salary at the employee level. Using the percentages allocated to each department in 2012 and the 2013 wage increases, HCWD will provide the adjustment figures for the 2012 test year.

The conference then adjourned.

Attachments:

Electronic correspondence scheduling the telephone conference

Comparison of salaries and wages as calculated by HCWD and Commission Staff

cc: Parties of Record

Ramser, Ann (PSC)

From: Ramser, Ann (PSC)
Sent: Thursday, December 19, 2013 11:01 AM
To: 'Scott Schmuck'; Dutton, Gregory (KYOAG); david.wilson@sbw-law.com; Hans, Jennifer (KYOAG); Dustin Humphrey; Jim Bruce; Bart Kreps
Cc: Frost, Mark C (PSC); Beavers, Eddie (PSC); Foster, David P (PSC); Turnbull, Ariel (PSC); Wakim, George W (PSC); Wuetcher, Jerry (PSC)
Subject: RE: Handout from Informal Conference

Ladies and Gentlemen:

The AG's office and David Wilson have indicated that they do not need to participate in the telephone call. I have copied them on this email so they may participate if they wish to do so.

The telephone conference is scheduled for today, December 19, 2013, at 2 p.m. Eastern Standard Time. The number to call is 502 782 2663 and the access code is 43941#.

Thank you.

Ann Ramser
Staff Attorney
Office of General Counsel
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601
(502) 782-2585

From: Scott Schmuck [<mailto:sschmuck@HCWD.com>]
Sent: Thursday, December 19, 2013 10:34 AM
To: Ramser, Ann (PSC); Dutton, Gregory (KYOAG); david.wilson@sbw-law.com; Hans, Jennifer (KYOAG); Dustin Humphrey; Jim Bruce; Bart Kreps
Cc: Frost, Mark C (PSC); Beavers, Eddie (PSC); Foster, David P (PSC); Turnbull, Ariel (PSC); Wakim, George W (PSC); Wuetcher, Jerry (PSC)
Subject: RE: Handout from Informal Conference

I am available both days at any time that works for everyone else.

<i>Serving Hardin County Since 1952</i>	
Scott Schmuck <i>Finance & Accounting Manager</i>	Hardin County Water District #1 1400 Rogersville Road Radcliff, KY 40160
sschmuck@hcwd.com www.HCWD.com	tel: 270-352-4280, ext 222 fax: 270-352-3055
Want to always have my latest info?	Want a signature like this?

From: Ramser, Ann (PSC) [<mailto:Ann.Ramser@ky.gov>]
Sent: Thursday, December 19, 2013 10:03 AM
To: Scott Schmuck; Dutton, Gregory (KYOAG); david.wilson@sbw-law.com; Hans, Jennifer (KYOAG); Dustin Humphrey;

Jim Bruce; Bart Kreps

Cc: Frost, Mark C (PSC); Beavers, Eddie (PSC); Foster, David P (PSC); Turnbull, Ariel (PSC); Wakim, George W (PSC); Wuetcher, Jerry (PSC)

Subject: RE: Handout from Informal Conference

Ladies and Gentlemen:

I would like to schedule a telephone conference with all parties regarding the Bart and Scott's questions. Let me know your availability for today and tomorrow.

Thank you.

Ann Ramser
Staff Attorney
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211 Sower Boulevard
Frankfort, KY 40601
(502) 782-2585

From: Scott Schmuck [<mailto:sschmuck@HCWD.com>]

Sent: Wednesday, December 18, 2013 4:41 PM

To: Ramser, Ann (PSC); Dutton, Gregory (KYOAG); david.wilson@sbw-law.com; Hans, Jennifer (KYOAG); Dustin Humphrey; Jim Bruce; Bart Kreps

Cc: Frost, Mark C (PSC); Beavers, Eddie (PSC); Foster, David P (PSC); Turnbull, Ariel (PSC); Wakim, George W (PSC); Wuetcher, Jerry (PSC)

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Ms. Ramser,

After reviewing Mr. Frost's handout on Labor, our rate consultant and I have a few questions. As I am not sure of the protocol, would it be possible for us to contact Mr. Frost directly to discuss or is that something that needs to be coordinated through you? Due to the upcoming holidays, we would like to try and set up a conference call on Thursday or Friday of this week.

Thanks

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Ramser, Ann (PSC)

From: Bart Kreps <bkreps@raftelis.com>
Sent: Thursday, December 19, 2013 10:17 AM
To: Ramser, Ann (PSC); 'Scott Schmuck'; Dutton, Gregory (KYOAG); david.wilson@sbw-law.com; Hans, Jennifer (KYOAG); Dustin Humphrey; Jim Bruce
Cc: Frost, Mark C (PSC); Beavers, Eddie (PSC); Foster, David P (PSC); Turnbull, Ariel (PSC); Wakim, George W (PSC); Wuetcher, Jerry (PSC)
Subject: RE: Handout from Informal Conference

I am pretty flexible until 5:00 today. Tomorrow, I can do 8:30 – 10:00 or after 2:00.

Bart

From: Ramser, Ann (PSC) [<mailto:Ann.Ramser@ky.gov>]
Sent: Thursday, December 19, 2013 10:03 AM
To: 'Scott Schmuck'; Dutton, Gregory (KYOAG); david.wilson@sbw-law.com; Hans, Jennifer (KYOAG); Dustin Humphrey; Jim Bruce; Bart Kreps
Cc: Frost, Mark C (PSC); Beavers, Eddie (PSC); Foster, David P (PSC); Turnbull, Ariel (PSC); Wakim, George W (PSC); Wuetcher, Jerry (PSC)
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Ramser, Ann (PSC)

From: Hans, Jennifer (KYOAG) <jennifer.hans@ag.ky.gov>
Sent: Thursday, December 19, 2013 10:17 AM
To: Ramser, Ann (PSC); Scott Schmuck; david.wilson@sbw-law.com; Dustin Humphrey; Jim Bruce; Bart Kreps
Cc: Frost, Mark C (PSC); Beavers, Eddie (PSC); Foster, David P (PSC); Turnbull, Ariel (PSC); Wakim, George W (PSC); Wuetcher, Jerry (PSC); Dutton, Gregory (KYOAG)
Subject: RE: Handout from Informal Conference

Ann:

I can be available until Noon today, and tomorrow anytime that is convenient. Also, the OAG would have no objection to Scott and Bart discussing Mark's spreadsheet with him by telephone without our attendance on the call, but appreciate greatly Commission staff's efforts to avoid even the appearance of ex parte communication.

Regards,

Jennifer Black Hans

Executive Director
Office of Rate Intervention
Office of the Attorney General
1024 Capital Center Drive
Frankfort, KY 40601
(502) 696-5453 (Rate Intervention)
(502) 696-5408 (Direct)
Fax: 502-573-1009
jennifer.hans@ag.ky.gov

NOTICE OF CONFIDENTIALITY

This message is intended only for the use of the individual or entity to which it is addressed and may contain confidential information that is legally privileged and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, you are notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify this office by telephone and return this message to the Office of the Attorney General immediately. Thank you.

Under Kentucky Rule of Evidence 503, this communication is confidential and not intended to be disclosed to third persons other than those to whom disclosure is made in furtherance of the rendition of professional legal services to or on behalf of the Office of the Attorney General.

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Ramser, Ann (PSC)

From: David Wilson <david.wilson@sbw-law.com>
Sent: Thursday, December 19, 2013 10:10 AM
To: Ramser, Ann (PSC)
Cc: Scott Schmuck; Jim Bruce
Subject: RE: Handout from Informal Conference

Ann, I do not need to participate in the phone call. Feel free to proceed with out me. You are welcome to discuss the matter with the HCWD folks in my absence.

From: Ramser, Ann (PSC) [<mailto:Ann.Ramser@ky.gov>]
Sent: Thursday, December 19, 2013 10:03 AM
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Case No: 2013-00050
 Utility: Hardin County Water District - Racliff Sewer
 Workpaper: Pro Forma Salaries and Wages
 Account:

	Application; Exh E; Sch 7			Staff Data Request 4, Item 1			Differences		
	Test Year	Adjustment	Pro Forma	Test Year	Adjustment	Pro Forma	Test Year	Adjustment	Pro Forma
Collection System	91,059	3,145	94,204	118,458	3,443	121,901	27,399	298	27,697
Customer Service	151,356	4,014	155,370	147,912	1,174	149,086	(3,444)	(2,840)	(6,280)
Administrative	102,927	12,227	115,154	150,486	10,894	161,380	47,559	(1,333)	46,226
	<u>345,342</u>	<u>19,386</u>	<u>364,728</u>	<u>416,856</u>	<u>15,511</u>	<u>432,367</u>	<u>71,514</u>	<u>(3,875)</u>	<u>67,639</u>
Administrative Staff				129,787	9,339	139,126			
Commissioners				20,699	1,555	22,254			
Total				<u>150,486</u>	<u>10,894</u>	<u>161,380</u>			