

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On June 24, 2013,<sup>1</sup> Hardin County Water District No. 1 ("Hardin District"), a water district organized pursuant to KRS Chapter 74, tendered its application for an adjustment in sewer rates for the city of Radcliff operations.<sup>2</sup> By this Order the Commission approves rates for sewer service in the city of Radcliff that will generate annual revenues from sewer service of \$3,942,546, an increase of \$571,464, or 17 percent above its pro forma operating revenues of \$3,371,082.

Hardin District applied for rates that would generate annual revenues from sewer service in the city of Radcliff of \$3,993,086, an increase of \$622,004, or 18.45 percent above its pro forma operating revenues of \$3,371,082. The proposed sewer rates would increase the bill for the average residential customer using 5,000 gallons of water from \$33.85 to \$39.32, an increase of \$5.47, or 16.2 percent. Hardin District based its

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<sup>1</sup> The Commission's Executive Director advised Hardin District that its Application did not comply with 807 KAR 5:001, Section 16(1)(b)(3), because the proposed tariff had not been submitted. The Commission accepted Hardin District's application for filing on July 16, 2013, the date Hardin District filed its proposed tariff.

<sup>2</sup> Hardin District has four separate operations: (1) the original water district which owns and operates facilities that treat and distribute water to approximately 10,032 residential customers in Hardin, Breckinridge, and Meade counties, Kentucky; (2) the city of Radcliff Sewer Utility, which serves approximately 8,883 residential sewer customers; (3) the water utility that serves Fort Knox Army Base; and (4) the sewer utility that serves Fort Knox Army Base.

proposed rates upon historic operations for the calendar year ending December 31, 2012, as adjusted for known and measurable changes.

A procedural schedule was established for the review of Hardin District's application. The Attorney General of the Commonwealth of Kentucky ("AG") was the only party to request intervention. The Commission granted his motion for intervention on July 30, 2013. The AG did not engage in discovery, nor did he sponsor any witnesses.

Per the Commission's December 11, 2013 Order, an informal conference between the parties and Commission Staff was held on December 16, 2013. Based upon discussions at that informal conference, Hardin District and the AG reached agreement on the proposed rate adjustment. On February 26, 2014, Hardin District and the AG submitted a "Stipulation and Recommendation." A tariff was attached to the Stipulation and Recommendation which contained language not generally included in tariffs. An Informal Conference was held on March 4, 2014, to discuss the tariff language. At the Informal Conference, Hardin District advised that it would submit a revised Stipulation and Recommendation without an attached tariff and with references to the tariff removed. On March 12, 2014, Hardin District and the AG submitted their revised Stipulation and Recommendation ("Revised Stipulation and Recommendation") that resolves all outstanding issues in this proceeding.

The Revised Stipulation and Recommendation has two key features. These are:

1. Hardin District should be authorized to adjust its city of Radcliff sewer rates to a level that will generate annual revenues from sewer service of \$3,942,546, an increase of \$571,464, or 17 percent above its pro forma operating revenues of \$3,371,082.

2. The agreed-upon sewer rates for the city of Radcliff should be effective for services billed on and after May 1, 2014.

An evidentiary hearing was held on March 18, 2014. Jim Bruce, Hardin District's General Manager, the only witness, testified in support of the Revised Stipulation and Recommendation.

Having reviewed the evidence of record, including the Revised Stipulation and Recommendation, and being sufficiently advised, the Commission finds that:

1. The provisions of the Revised Stipulation and Recommendation are reasonable and consistent with the evidence of record in this proceeding and should be accepted.

2. The rates set forth in the Revised Stipulation and Recommendation will produce an additional \$571,464 in annual sewer revenues.

3. The rates in the Revised Stipulation and Recommendation will result in a revenue requirement from rates that are within the zone of reasonableness.

4. When the acquisition of the city of Radcliff sewer system was being contemplated, Hardin District recognized that it was not sufficiently staffed to operate the city of Radcliff's sewer system.<sup>3</sup>

5. In order to facilitate the transaction, Hardin District entered into private negotiations with Veolia Water North America – South, LLC ("Veolia")<sup>4</sup> and on February 8, 2008, entered into an Operations Maintenance and Management agreement

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<sup>3</sup> Application, Pre-Filed Testimony Questions at 11.

<sup>4</sup> *Id.*

("Agreement") requiring Veolia to provide the oversight and supervision of the city of Radcliff's sanitary sewer system.

6. According to the terms of the Agreement between Hardin District and Veolia, the first date the Agreement can be terminated without cause and penalty would be June 15, 2015, with written notice provided no later than March 2, 2015.<sup>5</sup>

7. Termination of the Agreement prior to June 15, 2015, will require Hardin District to pay "a termination fee based on the remaining unamortized balance of startup costs and capital expenditures made by Veolia."<sup>6</sup>

8. In pre-filed testimony, Mr. Bruce stated that Hardin District would consider and is capable of issuing a Request for Proposal ("RFP") for competitive bids for the management of the city of Radcliff sewer system.<sup>7</sup>

9. Hardin District should issue a formal RFP to solicit competitive bids for a contract for the management of the city of Radcliff's sewer system.

10. Hardin District should investigate and determine the operational cost that Hardin District would incur if the management services currently performed by Veolia for the city of Radcliff sanitary sewer were performed by Hardin District employees.

11. After receiving the competitive bids from the RFP and performing the investigation into the cost that would be incurred if the management of the city of Radcliff sewer were performed by Hardin District employees, Hardin District should

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<sup>5</sup> *Id.*

<sup>6</sup> *Id.*, Exhibit 10.

<sup>7</sup> Application, Pre-Filed Testimony Questions at 11.

perform a formal analysis of its options for management of said sewer and file a written report with the Commission no later than January 15, 2015.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed in Hardin District's application are denied.

2. The provisions of the Revised Stipulation and Recommendation, a copy of which is attached to this Order as Appendix A, are approved and adopted.

3. The rates as set forth in Appendix B to this Order are approved for sewer service that Hardin District provides to the city of Radcliff customers on and after May 1, 2014.

4. Hardin District shall issue a formal RFP to solicit competitive bids for the Veolia management contract.

5. Hardin District shall formally investigate and determine the cost that would be incurred if the management service currently performed by Veolia for the city of Radcliff sanitary sewer were performed by Hardin District employees.

6. A copy of the RFP, the bids received, the report of Hardin District's cost to perform the management services for the city of Radcliff sanitary sewer by Hardin District employees, and Hardin District's written evaluation of its options for management of said sewer shall be filed with the Commission by January 15, 2015.

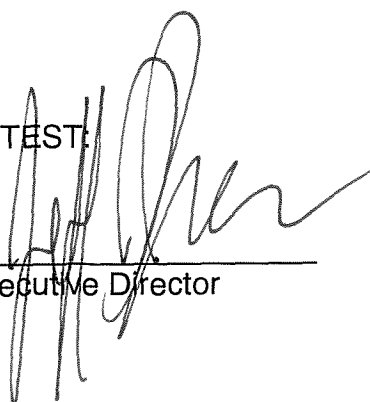
7. Within 20 days of the date of this Order, Hardin District shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

8. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by Ordering paragraph number 6 upon Hardin District's showing of good cause for such extension.

By the Commission

ENTERED  
APR 29 2014  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

Case No. 2013-00050

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2013-00050 DATED **APR 29 2014**

RECEIVED

MAR 12 2014

PUBLIC SERVICE  
COMMISSION

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 )  
SEWER SERVICE )

CASE NO. 2013-00050

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STIPULATION AND RECOMMENDATION

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It is the intent and purpose of the parties to this proceeding, namely Hardin County Water District No. 1 ("Hardin District") and the Attorney General of the Commonwealth of Kentucky ("Attorney General") to express their agreement on a mutually satisfactory resolution of all of the issues in the instant proceeding.

It is understood by all parties hereto that this Stipulation and Recommendation is not binding upon the Public Service Commission ("Commission"), nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustments to Hardin District's rates. The parties have expended considerable efforts to reach the agreements that form the basis of this Stipulation and Recommendation. All of the parties, representing diverse interests and divergent viewpoints, agree that this Stipulation and Recommendation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

In addition, the adoption of this Stipulation and Recommendation will eliminate the need for the Commission and the parties to expend significant resources in litigation of this proceeding, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein. It is the position of the parties hereto that this Stipulation and Recommendation is supported



by sufficient and adequate data and information, and is entitled to serious consideration by the Commission.

WHEREFORE, based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties hereby stipulate and recommend the following:

1. Hardin District should be authorized to adjust its base rates in order to permit it an opportunity to recover \$571,464.00 more in annual revenue than it is recovering under its current base rates, with such revised rates to be effective for service billed on and after May 1, 2014. The adjusted rates shall be reflected in pro-forma tariff sheets which shall be amended and submitted within twenty (20) days of entry of a final order in this case. These pro-forma tariff sheets reflect rates that are designed to allow Hardin District to recover the increased revenue from its two classes of customers, in the manner agreed to by the parties to this Stipulation and Recommendation.

2. Hardin District's actual rate case expenses will be deferred, amortized and recovered over a five-year period.

3. Attached to this Stipulation and Recommendation as Attachment A are proof-of-revenue sheets, showing that the stipulated rates will generate the proposed revenue increase to which the parties have agreed in Paragraph number 1 hereof.

4. Attached to this Stipulation and Recommendation as Attachment B is a revised Billing Analysis Comparison reflecting the customer impact of the proposed revenue increase to which the parties have agreed in Paragraph number 1 hereof.

5. The Parties agree that the foregoing terms and conditions represent a fair, just, and reasonable resolution of the issues addressed herein.

6. The Attorney General reserves his right to file testimony or comments in lieu of testimony, and Hardin District reserves the right to file rebuttal testimony should the Commission not approve this Stipulation and Recommendation.

7. Each party hereto waives all cross-examination of the witnesses of the other parties hereto except in support of the Stipulation and Recommendation, or unless the Commission disapproves this Stipulation and Recommendation, and each party further stipulates and recommends that the Notice of Intent, Notice, Application, testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record. The parties also agree that if the Commission issues an order adopting this Stipulation and Recommendation in its entirety there will be no need for any party to file a post-hearing brief.

8. This Stipulation and Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Hardin District or any other utility.

9. If the Commission issues an order adopting this Stipulation and Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.

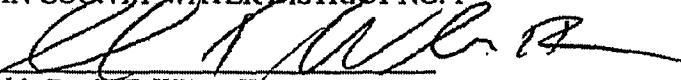
10. In the event the Commission should reject or modify all or any portion of this Stipulation and Recommendation, or impose additional conditions or requirements upon the signatory parties, each signatory party shall have the right, within twenty (20) days of the Commission's order, to either file an application for rehearing or terminate and withdraw from the Stipulation and Recommendation by filing a notice with the Commission. Upon rehearing, any signatory party shall have the right within fifteen (15) days of the Commission's order on rehearing to file a notice of termination or withdrawal from this Stipulation and

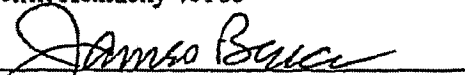
Recommendation. In such event the terms of this Stipulation and Recommendation shall not be deemed binding upon the parties hereto, nor shall such Stipulation and Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto.

11. All of the parties hereto agree that the foregoing Stipulation and Recommendation is reasonable and in the best interests of all concerned, and urge the Commission to adopt the Stipulation and Recommendation in its entirety.

AGREED, this 11<sup>th</sup> day of March, 2014.

HARDIN COUNTY WATER DISTRICT NO. 1

  
Honorable David T. Wilson II  
Attorney at Law  
Skeeters, Bennett, Wilson & Pike  
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P.O. Box 610  
Radcliff, Kentucky 40160

  
Jim Bruce  
General Manager  
Hardin County Water District #1  
1400 Rogersville Road  
Radcliff, Kentucky 40159-0489

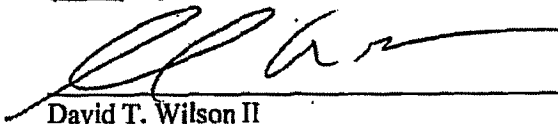
JACK CONWAY  
ATTORNEY GENERAL



Honorable Jennifer Black Hans  
Honorable Gregory T. Dutton  
Assistant Attorney General  
Office of Rate Intervention  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Stipulation and Recommendation was served upon all parties of record by regular U. S. mail this 11<sup>th</sup> day of March, 2014.

  
David T. Wilson II

**SERVICE LIST**

Jim Bruce  
General Manager  
Hardin County Water District #1  
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**ATTACHMENT A**

**PROOF OF REVENUE**

**ATTACHMENT A**

**HCWD1 - Radcliff Utility  
PSC Case  
Proposed Rates**

**Schedule 12**

**Minimum Charge Revenues**

Type of Charge	Proposed Charge (per bill)	Rate Year Number of Bills	Rate Year Revenue Under Proposed Charge
Minimum Charge (Includes 2,000 gallons)	\$ 19.62944	104,154	\$ 2,044,483

**Total Revenues from Minimum Charge Under Proposed Rates \$ 2,044,483**

**Volumetric Charge Revenues**

Type of Charge	Proposed Charge (per kgal)	Rate Year Billable Flows	Rate Year Revenue Under Proposed Charge
Rate Block 1 (2,000 - 15,000 Gallons)	\$ 6.40165	193,961	\$ 1,241,669
Rate Block 2 (Above 15,000 Gallons)	\$ 5.76149	113,928	656,394

**Total Revenues from Volumetric Charges Under Proposed Rates \$ 1,898,063**

**Total Rate Year Revenue From Proposed Rates and Charges (Calculated) \$ 3,942,546**

**Rate Year Revenue Requirements \$ 3,942,546**

**Test Year Revenues \$ 3,371,082**

**Revenue From Rate Increase \$ 571,464**

**ATTACHMENT B**  
**BILLING ANALYSIS COMPARISON**

**ATTACHMENT B**  
**REVISED SCHEDULE 2-c, BILLING ANALYSIS COMPARISON**

HCWYD1 - Radcliff Utility  
PSC Case  
Billing Analysis - Comparison (Board Approved Structure)

Schedule 2c

From	To	Average Usage	Accounts	Bills	Existing Rates		Proposed Rates		\$ Change	% Change
					Monthly Charge for Average Use	Monthly Charge for Average Use	Monthly Charge for Average Use	Monthly Charge for Average Use		
0	0	0	788	9,456	\$ 17.11	\$ 19.63	\$ 2.52	14.7%		
0	999	500	958	11,497	\$ 17.11	\$ 19.63	\$ 2.52	14.7%		
1,000	1,999	1,500	1,406	16,871	\$ 17.11	\$ 19.63	\$ 2.52	14.7%		
2,000	2,999	2,500	1,431	17,172	\$ 19.90	\$ 22.83	\$ 2.93	14.7%		
3,000	3,999	3,500	1,213	14,560	\$ 25.41	\$ 29.23	\$ 3.73	14.7%		
4,000	4,999	4,500	940	11,274	\$ 31.06	\$ 35.63	\$ 4.57	14.7%		
5,000	5,999	5,500	622	7,468	\$ 36.64	\$ 42.03	\$ 5.39	14.7%		
6,000	6,999	6,500	403	4,840	\$ 42.22	\$ 48.43	\$ 6.22	14.7%		
7,000	7,999	7,500	248	2,976	\$ 47.80	\$ 54.84	\$ 7.04	14.7%		
8,000	8,999	8,500	161	1,927	\$ 53.38	\$ 61.24	\$ 7.86	14.7%		
9,000	9,999	9,500	106	1,272	\$ 58.96	\$ 67.64	\$ 8.68	14.7%		
10,000	10,999	10,500	70	834	\$ 64.54	\$ 74.04	\$ 9.50	14.7%		
11,000	11,999	11,500	46	538	\$ 70.12	\$ 80.44	\$ 10.32	14.7%		
12,000	12,999	12,500	31	435	\$ 75.70	\$ 86.84	\$ 11.15	14.7%		
13,000	13,999	13,500	27	318	\$ 81.28	\$ 93.25	\$ 11.97	14.7%		
14,000	14,999	14,500	23	278	\$ 86.86	\$ 99.65	\$ 12.79	14.7%		
15,000	14,999	20,000	91	1,094	\$ 112.00	\$ 131.66	\$ 19.66	17.6%		
25,000	34,999	30,000	30	357	\$ 156.70	\$ 189.27	\$ 32.57	20.8%		
35,000	44,999	40,000	20	244	\$ 201.40	\$ 246.89	\$ 45.49	22.6%		
45,000	54,999	50,000	13	158	\$ 246.10	\$ 304.50	\$ 58.40	23.7%		
55,000	64,999	60,000	8	100	\$ 290.80	\$ 362.11	\$ 71.32	24.5%		
65,000	74,999	70,000	6	73	\$ 335.50	\$ 419.73	\$ 84.23	25.1%		
75,000	84,999	80,000	3	40	\$ 380.20	\$ 477.34	\$ 97.15	25.6%		
15,000	94,999	90,000	3	33	\$ 424.90	\$ 534.96	\$ 110.06	25.9%		
95,000	104,999	100,000	2	27	\$ 469.60	\$ 592.57	\$ 122.98	26.2%		
105,000	114,999	110,000	2	27	\$ 514.30	\$ 650.19	\$ 135.89	26.4%		
115,000	124,999	120,000	2	23	\$ 559.00	\$ 707.80	\$ 148.81	26.6%		
125,000	134,999	130,000	1	18	\$ 603.70	\$ 765.42	\$ 161.72	26.8%		
135,000	144,999	140,000	2	22	\$ 648.40	\$ 823.03	\$ 174.64	26.9%		
145,000	154,999	150,000	2	20	\$ 693.10	\$ 880.65	\$ 187.55	27.1%		
155,000	164,999	160,000	1	12	\$ 737.80	\$ 938.26	\$ 200.47	27.2%		
165,000	174,999	170,000	1	13	\$ 782.50	\$ 995.88	\$ 213.38	27.3%		
175,000	184,999	180,000	1	12	\$ 827.20	\$ 1,053.49	\$ 226.30	27.4%		
185,000	194,999	190,000	1	10	\$ 871.90	\$ 1,111.11	\$ 239.21	27.4%		
195,000	204,999	200,000	0	5	\$ 916.60	\$ 1,168.72	\$ 252.13	27.5%		
205,000	214,999	210,000	1	10	\$ 961.30	\$ 1,226.34	\$ 265.04	27.6%		
215,000	224,999	220,000	0	4	\$ 1,006.00	\$ 1,283.95	\$ 277.96	27.6%		
225,000	234,999	230,000	0	5	\$ 1,050.70	\$ 1,341.57	\$ 290.87	27.7%		
235,000	244,999	240,000	0	5	\$ 1,095.40	\$ 1,399.18	\$ 303.78	27.7%		
245,000	254,999	250,000	0	4	\$ 1,140.10	\$ 1,456.80	\$ 316.70	27.8%		
255,000	264,999	260,000	0	2	\$ 1,184.80	\$ 1,514.41	\$ 329.61	27.8%		
265,000	274,999	270,000	0	4	\$ 1,229.50	\$ 1,572.03	\$ 342.53	27.9%		
275,000	284,999	280,000	1	8	\$ 1,274.20	\$ 1,629.64	\$ 355.44	27.9%		
285,000	294,999	290,000	0	5	\$ 1,318.90	\$ 1,687.26	\$ 368.36	27.9%		
295,000	304,999	300,000	0	5	\$ 1,363.60	\$ 1,744.87	\$ 381.27	28.0%		
305,000	314,999	310,000	1	7	\$ 1,408.30	\$ 1,802.49	\$ 394.19	28.0%		
315,000	324,999	320,000	0	3	\$ 1,453.00	\$ 1,860.10	\$ 407.10	28.0%		
325,000	334,999	330,000	1	7	\$ 1,497.70	\$ 1,917.72	\$ 420.02	28.0%		
335,000	344,999	340,000	0	4	\$ 1,542.40	\$ 1,975.33	\$ 432.93	28.1%		
345,000	354,999	350,000	0	0	\$ 1,587.10	\$ 2,032.95	\$ 445.85	28.1%		
355,000	374,999	365,000	0	4	\$ 1,634.15	\$ 2,119.37	\$ 465.22	28.1%		
375,000	384,999	380,000	0	2	\$ 1,721.20	\$ 2,205.79	\$ 484.59	28.2%		
385,000	404,999	395,000	0	3	\$ 1,788.25	\$ 2,292.21	\$ 503.97	28.2%		
405,000	424,999	415,000	0	1	\$ 1,877.65	\$ 2,407.44	\$ 529.80	28.2%		
425,000	464,999	445,000	0	5	\$ 2,011.75	\$ 2,580.29	\$ 568.54	28.3%		
465,000	624,999	545,000	1	13	\$ 2,458.75	\$ 3,156.44	\$ 697.69	28.4%		
625,000	654,999	640,000	0	2	\$ 2,883.40	\$ 3,703.78	\$ 820.38	28.5%		
655,000	714,999	685,000	1	8	\$ 3,084.55	\$ 3,963.04	\$ 878.50	28.5%		
715,000	844,999	780,000	2	22	\$ 3,509.20	\$ 4,510.39	\$ 1,001.19	28.5%		
845,000	900,000	845,000	0	0	\$ 3,798.75	\$ 4,884.89	\$ 1,085.14	28.6%		

8,679 104,154



## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2013-00050 DATED **APR 29 2014**

The following rates and charges are prescribed for the sewer customers in the city of Radcliff that are served by Hardin County Water District No. 1 for service rendered on and after May 1, 2014. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

		<u>Monthly Sewer Rates</u>	
First	2,000 Gallons	\$ 19.63	Minimum Bill
Next	13,000 Gallons	6.40	per 1,000 Gallons
Over	15,000 Gallons	5.76	per 1,000 Gallons
Wholesale		\$ 3.00	per 1,000 Gallons

Jim Bruce  
General Manager  
Hardin County Water District #1  
1400 Rogersville Road  
Radcliff, KY 40159-0489

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