

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE) CASE NO.
WATER SERVICE RATES OF CITY OF DANVILLE) 2014-00392

ORDER

On October 17, 2014, the City of Danville (“Danville”) filed with the Commission revised tariff sheets setting forth proposed adjustments to its existing rates for wholesale water service to Garrard County Water Association, Inc. (“Garrard Association”), Lake Village Water Association Inc. (“Lake Village”), and Parksville Water District (“Parksville District”) effective on and after November 19, 2014. Danville also filed copies of notices it had sent to the wholesale customers affected by the proposed rate increase.

Prior to Danville’s tariff filing, Garrard Association¹ and Parksville District² had filed formal complaints against Danville regarding the proposed increase. Lake Village has not filed a complaint, but Danville proposes to charge Lake Village the same wholesale rate charged to Garrard Association.

Having considered the proposed rate adjustments and being otherwise sufficiently advised, the Commission finds that:

1. Pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of the proposed rate adjustments.

¹ Case No. 2014-00361, Garrard County Water Association, Inc. v. City of Danville, (Ky. PSC filed Sept. 8, 2014).

² Case No. 2014-00314, Parksville Water District v. City of Danville, (Ky. PSC filed Aug. 28, 2014).

2. Garrard Association and Parksville District should be joined as parties to this case.

IT IS THEREFORE ORDERED that:

1. Danville's proposed rates for wholesale water service are suspended for five months from November 19, 2014, to April 18, 2015.

2. Garrard Association and Parksville District are joined as parties to this case.

3. The procedural schedule set forth in Appendix A to this Order shall be followed.

4. A person who submits a motion to intervene after December 12, 2014, and, upon a showing of good cause, is granted full intervention shall abide by the existing procedural schedule.

5. Any party requesting an Informal Conference earlier than the April 7, 2015 Informal Conference indicated in the procedural schedule shall file a written request for such Informal Conference.

6. Danville shall file with the Commission, no later than December 1, 2014, the responses to the requests for information listed in Appendix B to this Order.

7. a. Responses to requests for information shall be appropriately bound, tabbed and indexed. When a number of sheets are required for an item, each sheet should be appropriately labeled: for example, Item 1(a), Sheet 2 of 6. Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Danville is to file with the Commission the original and ten copies, and a copy to all parties of record.

b. 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.

c. A party shall make timely amendment to any prior responses 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.

d. For any requests to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. 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.

8. At any hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

9. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

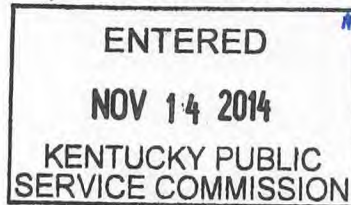
10. All documents that this Order requires to be filed with the Commission shall be served upon all other parties.

11. To be timely filed with the Commission, a document must be received by the Commission within the specified time for filing.

12. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 4(8).

13. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2014-00392 DATED **NOV 14 2014**

Last day for intervention requests to be submitted 12/12/2014

Commission Staff, Garrard Association, Parksville District, and any
Intervenor shall serve its initial set of requests
for information upon Danville no later than 12/15/2014

Danville shall file with the Commission and serve upon all parties
of record its responses to Commission Staff's, Garrard Association's,
Parksville District's, and any Intervenor's initial set of requests for
information no later than 01/05/2015

Commission Staff, Garrard Association, Parksville District, and
any Intervenor shall serve its supplemental set of requests
for information upon Danville no later than 01/20/2015

Danville shall file with the Commission and serve upon all parties
of record its responses to the Commission Staff's, Garrard
Association's, Parksville District's, and any Intervenor's
supplemental set of requests for information no later than 02/03/2015

Any testimony from Garrard Association, Parksville District or any
Intervenor shall be filed with the Commission in verified
prepared form no later than 02/16/2015

All requests for information to Garrard Association, Parksville
District, or any Intervenor shall be filed no later than 03/02/2015

Garrard Association, Parksville District, or any Intervenor
shall file with the Commission its responses
to requests for information no later than 03/16/2015

Danville may file with the Commission the testimony of its
rebuttal witnesses in written verified form no later than 03/30/2015

An informal conference shall be held at the Commission's offices for
the purpose of considering the possibility of settlement, the simplification
of issues, and any other matters that may aid in the handling or
disposition of this case, beginning at 10:30 Eastern Standard Time, on..... 04/07/2015

Public Hearing is to be held at the Commission's offices
at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose
of cross-examination of witnesses To Be Scheduled

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2014-00392 DATED **NOV 14 2014**

1. Provide in written verified form the direct testimony of each witness that Danville intends to call at the hearing in this matter.

2. a. Provide the three most recent independent auditor's reports that are available for Danville's water operations.

b. If the independent auditor's report for the fiscal year ending June 30, 2014, is not available, state the anticipated date that it will be available.

3. a. State the 12-month test period upon which Danville bases its proposed rate adjustment.

b. Explain why this test period was chosen.

4. Provide the general ledgers for Danville's water operations for the proposed test period and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions.

5. For each outstanding revenue bond issuance related to Danville's water operations, provide:

a. The bond ordinance or resolution authorizing the issuance of revenue bonds.

b. An amortization schedule.

c. A detailed explanation of why the debt was incurred.

d. A calculation of the annual debt service payment, including all required payments to debt service reserve accounts or funds, for each of the next three years.

6. List all persons on Danville's payroll during the proposed test period. For each employee, state his or her job duties, total wages paid during the fiscal year, current salary or wage rate, and the percentage of work hours spent performing duties for each department during the fiscal year. If Danville's records do not permit the allocation of an employee's work hours among departments, provide an estimate for each employee and explain how Danville derived the estimate.

7. For each employee listed in Item 6, describe how Danville allocated his or her payroll and payroll overhead charges to each department for the proposed test period. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

8. a. List all joint or shared costs that Danville incurred during the proposed test period. For each cost, list the vendor, total expense amount, amounts allocated per department, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among Danville's departments for the proposed test period.

c. Provide all internal memorandums, policy statements, correspondence and documents related to the allocation of joint and shared costs.

9. Provide detailed depreciation schedules for Danville's water division.

10. Provide an adjusted trial balance and audit adjustments for the proposed test period and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.

11. a. Identify all persons or entities to which Danville provides wholesale water service.

b. For each customer listed above, provide its monthly water usage and the amount that Danville charged it for service for each of the previous 24 months.

12. a. For all water mains in Danville's system, complete the table below. Add larger main sizes, if necessary.

Water Main Size	Total Miles Of Line	Miles Of Lines Used By Danville To Serve Its Wholesale Customers
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Identify the persons or entities that paid for the water main(s) that Danville uses to deliver water to Danville's wholesale customers.

13. a. State the maximum capacity of Danville's water treatment plant.

b. For each of the customers listed in the response to Item 11(a),

state:

(1) The amount of Danville's total water treatment plant capacity that is currently reserved for that customer; and

(2) The minimum and maximum quantity of water (in gallons) that the customer may purchase in a month under the terms of its present water purchase contract with Danville.

c. Describe the changes, if any, that Danville expects within the next three years in the level of water treatment capacity reserved for each of the customers listed in Item 11(a) and state the reason(s) for Danville's expectations.

14. a. Identify the owner of the master meter(s) through which Danville provides water to the customers listed in Item 11(a).

b. State, for each customer listed in Item 11(a), the number of master meters that Danville uses to provide water to that customer.

c. Identify the party responsible for maintaining each of these master meters.

15. Provide a system map showing all of Danville's facilities that are used to serve the customers listed in Item 11(a). This map shall, at a minimum, show all master meters, pumping stations, storage tanks, water transmission mains, and water distribution mains used to serve the customers listed in Item 11(a). The size of all mains shall be clearly indicated on this map.

16. State the portion, if any, of Danville's water main(s) that serve the customers listed in Item 11(a) that are gravity fed.

17. a. List Danville's water sales (in gallons) for each of the previous 36 months for each of its wholesale customers and for its retail customers.

b. List the total amount billed by Danville for water service for each of the previous 36 months to each of its wholesale customers and to its retail customers.

18. Provide Danville's current rate schedule for its retail customers and for each of its wholesale customers.

19. Complete the table below:

City of Danville	Gallons for Test Period	Gallons for Fiscal Year Ending June 30, 2014
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail		
Sales to Each Wholesale Customer (List Separately)		
Total Produced and Purchased		
Total Sold		

20. a. State whether Danville provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments, fire protection services).

b. If unmetered service is provided, estimate the percentage of the total unmetered amount for each entity or type of service.

21. Provide the cost-of-service study, if any, upon which the proposed rates are based.

a. Provide this cost-of-service study in electronic format with all formulas and links intact.

22. a. Identify the person who prepared the cost-of-service study upon which the proposed rates are based.

- b. Provide the preparer's *curriculum vitae*.
- c. List all cases before the Commission in which the preparer has submitted a cost-of-service study.
- d. List all utilities (municipal or public) for which the preparer has prepared a cost-of-service study. For each utility, identify the type of utility service (i.e., water or sewer) for which the report was prepared.

23. If the proposed rate is not based upon a cost-of-service study, describe how Danville determined the proposed wholesale rate and state who participated in the determination.

24. a. State whether the proposed rate increase includes an adjustment for rate case expenses incurred in this proceeding.

b. If the rate increase does not include an adjustment for rate case expenses, state whether Danville will seek an adjustment to recover expenses incurred in litigating this proceeding.

c. If Danville will seek an adjustment to recover expenses incurred in litigating this proceeding, provide all actual and estimated rate case expenses.

25. Identify the section(s) of KRS Chapter 96 under which Danville was formed and currently operates.

26. Provide the minutes of each meeting of Danville since January 1, 2013, in which a proposed rate adjustment to Danville's wholesale customers was discussed.

27. Provide a copy of all correspondence, electronic mail messages, or other written communications between Danville and its wholesale customers since January 1, 2013, regarding revisions to Danville's wholesale rate.

28. Provide copies of all contracts for water service between Danville and its wholesale customers listed in Item 11(a).

29. a. State the annual effect of the proposed rate adjustment on Danville's revenues from wholesale water service to each of its wholesale water service customers.

b. Show all calculations made and state all assumptions used to derive the response to Item 29(a).

30. a. Identify and explain pro forma adjustments to water operations.

b. Provide the calculations for all pro forma adjustments to water operations.

31. a. Identify and explain pro forma adjustments to shared expenses that include the water operations.

b. Provide the calculations for all pro forma adjustments to shared expenses that include the water operations.

John Bowling
Mayor
City of Danville Water Dept.
P. O. Box 670
Danville, KY 40423

M. Todd Osterloh
Sturgill, Turner, Barker & Moloney, PLLC
333 West Vine Street
Suite 1400
Lexington, KENTUCKY 40507

Paul Reynolds
Chairman / President
Garrard County Water Association, Inc.
315 Lexington Road
P. O. Box 670
Lancaster, KY 40444

Mike Sanford
Executive Director
Lake Village Water Association, Inc.
801 Pleasant Hill Drive
P. O. Box 303
Burgin, KY 40310

Debbie Webb
Co-Manager
Parksville Water District
10711 Lebanon Road
P. O. Box 9
Parksville, KY 40464