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**Public Service Commission**

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David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Charles R. Borders  
Commissioner

December 23, 2014

## PARTIES OF RECORD

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

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Ann Ramser, Staff Attorney, at 502/782-2585.

Sincerely,

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

Jeff Derouen  
Executive Director

AR/ch

Attachments

## INTRA-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

**TO:** Case File No. 2014-00392

**FROM:** Ann Ramser, Staff Attorney

**DATE:** December 23, 2014

**RE:** Informal Conference of December 18, 2014

Pursuant to Commission Staff's December 15, 2014 Notice, an informal conference was held in this matter on December 18, 2014. Attached is a copy of the attendance roster.

Sam Smith and Paul Reynolds were present on behalf of Garrard County Water Association, Inc. Garrard County Water Association, Inc. was not represented by counsel at the meeting. Ann Ramser stated that she had spoken with Caywood Metcalf, the attorney representing Garrard County Water Association, Inc. Ms. Ramser indicated Mr. Metcalf's knowledge that the meeting was an informal conference, that issues related to the case would be discussed, and that Mr. Metcalf indicated he had no concerns with issues being discussed outside of his presence with the representatives from Garrard County Water Association, Inc.

The purpose of the meeting was to clarify whether the city of Danville intended to use a historical test period or a forecasted test period. Clarification regarding the relation of numbers identified in the Pro Forma adjustments and the cost-of-service study was also discussed.

Connie Allen clarified that the city of Danville used a historical test period. The city of Danville will provide information tracing the expenses provided in response to Item 30 of the November 14, 2014 request for information to those used in the cost-of-service study. The city of Danville agreed to provide a detailed income statement to contain pro forma adjustments that are known and measurable and a cost-of-service study reflecting those adjustments. The information will be provided no later than January 5, 2015. Ms. Allen understands that budgetary adjustments are not acceptable with a historical test year, but the city of Danville can propose pro forma adjustments that are known and measurable.

Ms. Allen indicated that her use of projected numbers for 2015-2019 was to verify that the use of the 6.9% factor was reasonable. The 2015-2019 projected numbers were not used to determine the rate currently being proposed by the city of Danville. The 6.9% factor is budgetary and would not be acceptable in a historical test year filing.

Sam Reid advised the city of Danville that Commission Staff would request additional documentation to support the higher proposed rate for Parksville Water District.

Depreciation and rate funded capitalization were also discussed. Mr. Frost indicated that the Commission considers depreciation and does not consider rate funded capitalization.

Paul Reynolds indicated that Garrard County Water Association, Inc. is concerned more with the timing of the rate increase, rather than the amount of the rate increase. Mr. Reynolds believed that the construction of the new water treatment facility will not be completed until 2016. Mr. Coffey indicated that water may start flowing from the new plant in April or May 2015. Mr. Coffey further indicated that the city of Danville is already servicing the debt.

Jerry Feather expressed concern that a new industrial customer for the city of Danville is leading to increased costs for the Parksville Water District. According to Mr. Feather, Parksville Water District previously needed to access water from one storage tank owned by the city of Danville. Since the addition of the new industrial customer for the city of Danville, Mr. Feather states Parksville Water District uses two storage tanks owned by the city of Danville. Ms. Allen explained that the higher rate was based on the rate base percentage and the way the distribution system is affected. Mr. Feather further questioned why Parksville Water District's \$36,000 contribution was not included in the cost-of-service study. Mr. Frost explained that based on his understanding, the likely explanation is that the city of Danville reduced the cost of the project to the city of Danville by the \$36,000 which was considered as a contribution in aid of construction.

Upon questioning by Mr. Frost, Ms. Allen indicated that the cost-of-service study is complete for the water division, but not all of the text for the sewer division is complete.

At the completion of these discussions, everyone agreed upon a new procedural schedule. Jeff Jones and Mr. Reynolds both indicated their belief that they would probably not file any testimony on behalf of Garrard County Water Association, Inc. or Parksville Water District. Assuming that these two parties would likely not file testimony, the procedural schedule for testimony from these two parties was shortened. The new procedural schedule is attached.

The informal conference then ended.

Attachments

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

## PROCEDURAL SCHEDULE

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

Danville shall file with the Commission and serve upon all parties of record a detailed income statement to contain pro forma adjustments that are known and measureable and a cost-of-service study reflecting the adjustments no later than ..... 01/05/15

Commission Staff, Garrard Association, Parksville District, and any Intervenor shall serve its initial set of requests for information upon Danville no later than ..... 01/21/2015

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 ..... 02/05/2015

Commission Staff, Garrard Association, Parksville District, and any Intervenor shall serve its supplemental set of requests for information upon Danville no later than ..... 02/19/2015

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 ..... 03/05/2015

Any testimony from Garrard Association, Parksville District or any Intervenor shall be filed with the Commission in verified prepared form no later than ..... 03/12/2015

All requests for information to Garrard Association, Parksville District, or any Intervenor shall be filed no later than ..... 03/19/2015

Garrard Association, Parksville District, or any Intervenor Shall file with the Commission its responses to requests for information no later than ..... 03/26/2015

Danville may file with the Commission the testimony of its rebuttal witnesses in written verified form no later than ..... 04/02/2015

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

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

Please sign in:

NAME	REPRESENTING
Mark Frost	PSC Staff
Connie Allen	Salt River Eng
Todd Osterloth	CITY OF DANVILLE
Debbie L Webb	Parksville Water District
JEFF JONES	Parksville Water District
Sean Smith	Garrard Co. Water Assoc.
Paul Reynolds	Garrard Co. Water Assoc.
Greg Feather	Parksville Water District
Ann Ramsey	PSC - Legal
Liam Reid	PSC - FA
Ariel Turnbull	PSC - FA
George W. Watkins	PSC - Engineering
Earl Coffey	City of Danville
David Edward Spencer	PSC - Legal