

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED
APR 27 2015
PUBLIC SERVICE
COMMISSION

In the Matter of:

Proposed Adjustment of the Wholesale)
Water Service Rates of) Case No. 2014-00392
the City of Danville)

**CITY OF DANVILLE'S SECOND SUPPLEMENTAL RESPONSE TO THE
COMMISSION'S ORDER ISSUED NOVEMBER 14, 2014**

The City of Danville ("Danville" or the "City") hereby provides its Second Supplemental Response to Item 24 of Appendix B of the Commission's Order issued November 14, 2014.

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.

Witness: Earl Coffey

Response: The Water Usage Rates that were submitted on the proposed tariffs do not include any adjustment for rate case expenses of preparing the cost-of-service study incurred in

this proceeding. The City of Danville requests a surcharge to recover rate case expenses and the costs incurred for preparing the cost-of-service study.¹ The City proposes that the actual costs be amortized and recovered as a surcharge over a three-year period from the utility wholesale customers. The City has estimated that rate case expenses to be \$50,000.

The cost-of-service study expense totals \$53,000, a portion of which should be allocated to the wholesale customers. Half of the expense of the cost-of-service study (\$26,500) is apportioned to the water rates. An invoice from Salt River Engineering supporting this expense was attached to the supplemental response filed on March 19, 2015.

The Commission has previously allocated expenses of a cost-of-service study to wholesale customers based on total revenue requirement. See City of Hopkinsville, Case No. 2009-00373 at 8 (Ky. PSC July 2, 2010). The cost-of-service study that was originally filed with the Commission on December 1, 2014, and that reflects the rates Danville requests to be approved, identify a lower percentage of revenue requirement for the three public-utility customers of Danville as compared with the revised studies filed on January 5 and February 9, 2015. The following table incorporates revenue-requirement information contained in the study filed on December 1, 2014, and calculated the allocation of expenses for the cost-of-service study to the public utilities.

¹ The City believes that a surcharge is appropriate, as one was approved by the Commission in City of Hopkinsville, Case No. 2009-00373 (Ky. PSC Jul. 2, 2010) and City of Greensburg, Case No. 2009-00428 (Ky. PSC Aug. 6, 2010). In the event that the Commission determines that such a surcharge is no longer permissible, the City requests that these expenses be incorporated into the volumetric rate charged to the City's wholesale customers.

	Total	Parksville WD	GCWA	LVWA
Proposed Rate Revenues	5,563,205	\$317,683	\$213,718	\$338,096
Percentage of Rev. Req.	100%	5.7104%	3.8416%	6.0774%
Wholesale Customers' Responsibility of \$26,500		\$1,513.26	\$1,018.03	\$1,610.50

Danville has also incurred rate case expenses for legal and expert fees. Documentation from Sturgill, Turner, Barker, and Moloney, PLLC, and Salt River Engineering demonstrate that through April 22, 2013, there has been \$46,885.26 in rate case litigation expenses.² Danville proposes that these expenses be divided equally between the two public utilities that are parties to the rate case. This would apportion \$23,442.63 of cost to each Parksville Water District and Garrard County Water Association.

The following table summarizes Danville's current request for a 36-month surcharge for rate-case-related expenses based on a three-year amortization.

	Parksville Water District	Garrard County Water Association	Lake Village Water Association
Cost-of-Service Study	\$1,513.26	\$1,018.03	\$1,610.50
Litigation Expense	\$23,442.63	\$23,442.63	
Total Expenses	\$24,955.89	\$24,460.66	\$1,610.50
36-month Amortization	\$694.33	\$679.46	\$47.50

² In addition to the attached supporting documentation that has been redacted to protect privileged material, invoices were submitted with the City's supplemental response filed on March 19, 2015. It should be noted that Salt River Engineering's entry on 14 April 2015 only includes time spent for work performed that should have been necessary for the City. The notation "didn't charge for problems I caused" indicates that additional time was spent on the project on that day that is not reflected on the invoice.

Rate case expenses will increase if additional litigation is necessary, and Danville will supplement its response at a later date if appropriate. If a decision were to be issued today, the City believes the following rates are fair, just, and reasonable:³

Parksville Water District	\$2.68 per 1,000 gallons + \$694.33 for 36 months
Garrard Co. Water Ass'n	\$2.41 per 1,000 gallons + \$679.46 for 36 months
Lake Village Water Ass'n	\$2.41 per 1,000 gallons + \$47.50 for 36 months

Respectfully submitted,



M. TODD OSTERLOH
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ATTORNEYS FOR CITY OF DANVILLE

³ In addition to these rates, Danville seeks to retain its line item for the Kentucky River Authority fee, which is currently set at \$0.022 per 1,000 gallons.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served via U.S. Mail, postage prepaid, to the following on April 23, 2015:

Caywood Metcalf
214 Stanford Street
Lancaster, Kentucky 40444

Jeffrey W. Jones
Jeffrey W. Jones, PLLC
1000 East Lexington Avenue, #3
Danville, KY 40422

M. TW [Signature]

COUNSEL FOR CITY OF DANVILLE



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Telefax: (859) 231-0851

Employer I.D. No. 61-0576615

www.sturgillturner.com

STATEMENT OF SERVICES

Ron Scott, City Manager
City of Danville
PO Box 670
445 W. Main Street
Danville, KY 40423

Statement Date: 04/03/2015
Account No: 64179.0008 M
Statement No: 90171

City of Danville Water Rates

				Hours
03/02/2015	MTO L310	A103	Draft/revise responses to PSC Staff's second information request; communicate with Danville representative regarding the same.	2.10
03/03/2015	MTO L110	A106	Communicate (with client) with M. Gosser and E. Coffey regarding responses to Staff's 2nd DR; prepare draft responses.	1.50
03/04/2015	MTO L320	A104	Review information produced by E. Coffey and M. Gosser; prepare draft responses; review changes proposed by City reps; communicate with City reps regarding information and data responses.	4.00
03/12/2015	MTO L320	A104	Review and compile documents for rate case expenses.	0.50
03/13/2015	MTO L310	A103	Review documents and draft memorandum to client regarding rate case expenses.	1.80
	MTO L310	A103	Draft supplemental response to discovery request related to rate case expense.	1.70
03/16/2015	MTO L310	A106	Communicate (with client) with clients regarding supplemental response related to rate case expenses.	0.20
	MTO L310	A103	Finalize supplemental response to information request related to rate case expense.	0.50
03/17/2015	MTO L210	A104	Review PSC online filings on whether parties filed testimony; procedural schedule; and advise client as to options going forward.	0.50
03/18/2015	MTO L310	A104	Review data request from PSC Staff to PWD.	0.10
	MTO L310	A106	Communicate (with client) regarding PSC Staff's data request to PWD.	0.20

City of Danville

City of Danville Water Rates

				Hours		
03/27/2015	MTO L210	A104	Review Parksville's responses to PSC Staff's information request.	0.20		
	MTO L210	A106	Communicate (with client) about Parksville's response to PSC Staff's information request.	0.90		
	MTO L110	A104	Review [REDACTED] related to Parksville [REDACTED]	0.70		
	MTO L120	A104	Review [REDACTED] related to peaking factors for rate case.	0.40		
	MTO L310	A104	Review [REDACTED] as it relates to PWD's responses.	0.50		
03/31/2015	MTO L310	A106	Communicate (with client) with E. Coffey regarding Parksville's response to PSC Staff and possible City rebuttal.	0.30		
	MTO L120	A106	Communicate (with client) with C. Allen regarding Parksville's response and [REDACTED]	0.20		
				16.30	3,667.50	

Recapitulation

<u>Timekeeper</u>	<u>Hours</u>	<u>Hourly Rate</u>	<u>Total</u>
M. Todd Osterloh	16.30	\$225.00	\$3,667.50

Costs

03/04/2015	L110	E101	348 Document Reproduction	69.60
03/16/2015	L110	E101	325 Document Reproduction	65.00
			E101 (653) Document Reproduction	134.60
				134.60
Total Costs Thru 03/31/2015				134.60
Total Current Work				3,802.10
Previous Balance				\$6,249.68
Balance Due				<u>\$10,051.78</u>

Task Code Recapitulation

			Costs
L110	Fact Investigation/Development	495.00	134.60
L120	Analysis/Strategy	135.00	0.00

City of Danville

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04/03/2015
Account No. 64179-0008M
Invoice No. 90171

City of Danville Water Rates

		Costs
L100	Do not Use-See L110-L190 Case Assessment,Development &Admin	630.00 <u>134.60</u>
L210	Pleadings	360.00 <u>0.00</u>
L200	Do Not Use-See L210-L260 Pre-Trial Pleadings & Motions	360.00 <u>0.00</u>
L310	Written Discovery	1665.00 <u>0.00</u>
L320	Document Production	1012.50 <u>0.00</u>
L300	Do Not Use - See L310-L390 Discovery	2,677.50 <u>0.00</u>

To ensure proper credit to your account
Please write Account 64179.0008 on your check
Please remit amount due by 05/03/2015
Thank you

Detail Transaction File List
Sturgill, Turner, Barker & Moloney, PLLC

Client	Trans Date	Tmkr	Check Number	B C	Stmnt # Rate	Hours to Bill	Amount		Ref #
64179.0008	04/01/2015	MTO			225.00	0.80	180.00	Communicate (with client) - phone calls with City Engineer regarding Parksville's ability to draw water from Danville's system. City of Danville	114
64179.0008	04/01/2015	MTO			225.00	0.50	112.50	City of Danville Water Rates Begin drafting possible rebuttal questions and proposed responses, [REDACTED] [REDACTED] City of Danville	115
64179.0008	04/01/2015	MTO			225.00	0.30	67.50	City of Danville Water Rates Draft update to City Manager regarding status of case. City of Danville	116
64179.0008	04/06/2015	MTO			225.00	0.50	112.50	City of Danville Water Rates Plan and prepare for tomorrow's informal conference. City of Danville	117
64179.0008	04/06/2015	MTO			225.00	0.10	22.50	City of Danville Water Rates Communicate (with client) with City Engineer regarding tomorrow's informal conference. City of Danville	118
64179.0008	04/06/2015	MTO			225.00	0.20	45.00	City of Danville Water Rates Communicate (with client) with Connie Allen regarding tomorrow's informal conference. City of Danville	121
64179.0008	04/07/2015	MTO			225.00	1.70	382.50	City of Danville Water Rates Appear for/attend informal conference at PSC and post-conference meeting with clients (includes reduced travel time because I was already in Frankfort) City of Danville	119
64179.0008	04/07/2015	MTO			225.00	0.40	90.00	City of Danville Water Rates Additional preparations for informal conference later this morning. City of Danville	120
64179.0008	04/07/2015	MTO			225.00	0.20	45.00	City of Danville Water Rates Review email from PSC Staff Attorney regarding her post-IC communications with GCWA and draft response. City of Danville	122
64179.0008	04/08/2015	MTO			225.00	0.20	45.00	City of Danville Water Rates Communicate (with client) - meet with City Engineer to discuss possible implementation of rates while case is pending and tabulation of data, as requested by PSC Staff (no charge for travel to Danville because I was there on another matter). City of Danville	123
64179.0008	04/08/2015	MTO			225.00	0.50	112.50	City of Danville Water Rates Draft resolution for City Commission regarding implementation of proposed rates. City of Danville	124
64179.0008	04/08/2015	MTO			225.00	0.20	45.00	City of Danville Water Rates Communicate (with client) with City Attorney regarding implementation of rates and resolution supporting such implementation. City of Danville	125
64179.0008	04/13/2015	MTO			225.00	0.20	45.00	City of Danville Water Rates Review -- review informal conference minutes by PSC staff City of Danville	126
64179.0008	04/13/2015	MTO			225.00	0.30	67.50	City of Danville Water Rates Communicate (with client) -- communications with E. Coffey and C. Allen regarding revised COS study to be provided as requested at informal conference City of Danville	127
64179.0008	04/13/2015	MTO			225.00	0.10	22.50	City of Danville Water Rates Review -- review email exchange between GCWA and PSC staff regarding implementation of Danville's proposed rates and GCWA's acceptance thereof City of Danville	128
64179.0008	04/14/2015	MTO			225.00	0.80	180.00	City of Danville Water Rates Draft response to informal conference information request and research information [REDACTED] [REDACTED] City of Danville	129
64179.0008	04/15/2015	MTO			225.00	2.00	450.00	City of Danville Water Rates Review documents produced by C. Allen; draft proposed responses; communicate with C. Allen and E. Coffey. City of Danville	134

Detail Transaction File List
Sturgill, Turner, Barker & Moloney, PLLC

Client	Trans Date	Tmkr	Check Number	B C	Stmnt # Rate	Hours to Bill	Amount	Ref #
Statement Date mm/dd/yyyy								
64179.0008	04/16/2015	MTO			225.00	0.50	112.50	135
							City of Danville Water Rates Review revised materials submitted by C. Allen; revise response to information request from informal conference.	
64179.0008	04/16/2015	MTO			225.00	0.40	90.00	136
							City of Danville City of Danville Water Rates Review materials prepared by E. Coffey and communicate with him regarding the same.	
64179.0008	04/17/2015	MTO			225.00	2.10	472.50	137
							City of Danville Water Rates Review additional responses prepared by E. Coffey; revise responses to requests from IC; prepare certification form; communicate with Coffey regarding these matters.	
64179.0008	04/20/2015	MTO			225.00	0.50	112.50	139
							City of Danville City of Danville Water Rates Communicate (with client) with E. Coffey; finalize responses to information request; (no charge for travel to hand-deliver to file with PSC).	
64179.0008	04/21/2015	MTO			225.00	0.50	112.50	140
							City of Danville Water Rates Communicate (with client) - advise client with respect to options available for hearing.	
64179.0008	04/21/2015	MTO			225.00	1.30	292.50	141
							City of Danville Water Rates Draft motion to cancel hearing or reschedule hearing date.	
64179.0008	04/21/2015	MTO			225.00	0.20	45.00	142
							City of Danville City of Danville Water Rates Review and redact Danville's March invoice for attorney-client privileged communications.	
64179.0008	04/21/2015	MTO			225.00	2.00	450.00	143
							City of Danville City of Danville Water Rates Draft Supplemental Response to recover rate case expense.	
64179.0008	04/21/2015	MTO			225.00	0.20	45.00	144
							City of Danville City of Danville Water Rates Communicate (with client) with City Manager and Engineer regarding implementation of rates	
64179.0008	04/23/2015	MTO			225.00	1.50	337.50	145
							City of Danville City of Danville Water Rates Finalize drafting of motion to cancel hearing, notice of implantation of rates, and supplemental response of rate case expense.	
							City of Danville City of Danville Water Rates	
Subtotal for Tcode 1					Billable	18.20	4,095.00	
64179.0008	04/20/2015		63372				8,285.84	5
							City of Danville City of Danville Water Rates	
64179.0008	04/22/2015		63558		90171		3,802.10	6
							City of Danville City of Danville Water Rates	
Subtotal for Tcode 201					Billable Payments	0.00	0.00	Thank you for your payment.
							12,087.94	
Total for Statement Date mm/dd/yyyy					Billable Payments	18.20	4,095.00	
							12,087.94	
GRAND TOTALS								
					Billable Payments	18.20	4,095.00	
							12,087.94	

Invoice

City of Danville

PO Box 670
Danville, KY 40423



21 Apr 2015

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Invoice 15-09-07

PSC COS Case	date	hours	cost
first questions from PSC	24 Nov 2014	08:00	\$800.00
mtg at D'ville & revise answers to questions	25 Nov 2014	07:30	\$750.00
Question 1 - testimony	30 Nov 2014	01:30	\$150.00
Question 1	01 Dec 2014	02:00	\$200.00
mtg with Todd O & Earl & follow-up notes	15 Dec 2014	04:00	\$400.00
review O&M pro forma	16 Dec 2014	02:15	\$225.00
PSC informal conference	18 Dec 2014	04:30	\$450.00
explanation for PSC for rate base	22 Dec 2014	09:30	\$950.00
explanation for PSC for expenses	23 Dec 2014	04:00	\$400.00
explaining expenses	29 Dec 2014	02:00	\$200.00
explaining expenses	30 Dec 2014	03:30	\$350.00
expenses projected and pro forma	02 Jan 2015	01:15	\$125.00
pro forma expenses	03 Jan 2015	06:00	\$600.00
new COS; package all for PSC	04 Jan 2015	06:45	\$675.00
review 21 Jan PSC request for respnblty	22 Jan 2015	01:00	\$100.00
meet at Danville to discuss 1st PSC req	24 Jan 2015	03:00	\$300.00
answer PSC	26 Jan 2015	03:30	\$350.00
answer PSC	27 Jan 2015	02:15	\$225.00
answers due 5 Feb	29 Jan 2015	05:30	\$550.00
answers due 5 Feb	28 Jan 2015	04:15	\$425.00
meeting at Danville	30 Jan 2015	02:30	\$250.00
last revisions to questions	04 Feb 2015	04:15	\$425.00
questions due 5 Feb	02 Feb 2015	02:00	\$200.00

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108 West Poplar
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859-734-2334

Invoice

City of Danville



21 Apr 2015

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Invoice 15-09-07

PSC COS Case	date	hours	cost
PSC informal conf in Frankfort	07 Apr 2015	02:30	\$250.00
rates w/wo change in factor	10 Apr 2015	02:00	\$200.00
didn't charge for problems I caused	14 Apr 2015	02:30	\$250.00
reprints and minor revisions	15 Apr 2015	00:45	\$75.00
Total		98:45	\$9,875.00

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