

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF THE CITY OF) CASE NO.
SALYERSVILLE) 2015-00151

ORDER

On May 4, 2015, the city of Salyersville ("Salyersville") filed with the Commission its revised tariff sheet setting forth its proposed adjustment to its existing rate for wholesale water service to Magoffin County Water District ("Magoffin District") effective for service provided on and after June 10, 2015. On May 11, 2015, Magoffin District filed with the Commission a letter objecting to the proposed adjustment on the grounds that the adjustment is in violation of the water purchase contract between Salyersville and Magoffin District.

Having considered the proposed rate adjustment and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of the proposed rate adjustment. The Commission further finds that Magoffin District is likely to present issues or to develop facts that will assist the Commission in fully considering this matter, and should be made an intervenor.

IT IS THEREFORE ORDERED that:

1. Salyersville's proposed rate for wholesale water service is suspended for five months from June 10, 2015, up to and including November 9, 2015.

2. Magoffin District is made an intervenor in this matter.

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 May 29, 2015, and upon showing of good cause is granted full intervention, shall accept and abide by the existing procedural schedule.

5. Salyersville shall file with the Commission, no later than June 8, 2015, the original and six copies of the information listed in Appendix B to this Order, with a copy to all parties of record.

a. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and six copies to the Commission.

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. Any 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 request 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 that it is legible. 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 a request.

f. A party filing a document containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

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

7. 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.

8. Service of any document or pleading required by this Order shall be filed with the Commission and served upon all parties of record in accordance with 807 KAR 5:001, Section 4(8), and (9).

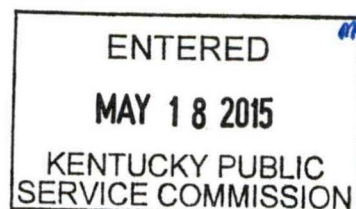
Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

ATTEST:



Executive Director

By the Commission



APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00151 DATED **MAY 18 2015**

Requests for intervention shall be filed no later than..... 05/29/2015

Salyersville shall file its response to the Commission's request
for information, attached to this Order as Appendix B, no later than..... 06/08/2015

Requests for information to Salyersville shall be filed no later than 06/15/2015

Salyersville shall file responses to requests for information
no later than 06/29/2015

All supplemental requests for information to Salyersville
Shall be filed no later than..... 07/13/2015

Salyersville shall file responses to all supplemental requests for
Information no later than 07/27/2015

An informal conference shall be held at the Commission's offices for
the purpose of considering the possibility of settlement, to simplify the
issues, and any other matters that may aid in the handling or
disposition of this case To Be Announced

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 Announced

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2015-00151 DATED **MAY 18 2015**

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

2. a. Provide the three most recent independent auditor's reports that are available for Salyersville'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 Salyersville bases its proposed rate adjustment.

b. Explain why this test period was chosen.

4. Provide the general ledgers for Salyersville'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 Salyersville'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 Salyersville's payroll during the proposed test period who performed duties on behalf of Salyersville's water operations. 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 the water operations during the test year. If Salyersville's records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how Salyersville derived the estimate.

7. For each employee listed in Item 6, describe how Salyersville allocated his or her payroll and payroll overhead charges to water operations 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. List all charges to the water fund during the proposed test year for the costs other than Salyersville's water operations. The response shall include a detailed explanation of why the water fund was charged for each non-water operation cost.

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

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

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

10. Provide detailed depreciation schedules for Salyersville's water division.

11. 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.

12. Provide the "Enterprise Funds Uniform Financial Information Report" that Salyersville submitted to the Kentucky Department of Local Government for the fiscal years ending June 30, 2012, June 30, 2013, and June 30, 2014.

13. a. Identify all persons or entities to which Salyersville provides wholesale water service.

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

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

Water Main Size	Total Miles of Line	Miles of Lines Used by Salyersville 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 Salyersville uses to deliver water to Salyersville's wholesale customers.

15. a. State the maximum capacity of Salyersville's water treatment plant.

b. For each of the customers listed in the response to Item 13(a), state:

(1) The amount of Salyersville'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 Salyersville.

c. Describe the changes, if any, that Salyersville expects within the next three years in the level of water treatment capacity reserved for each of the customers listed in Item 13(a) and state the reason(s) for Salyersville's expectations.

16. a. Identify the owner of the master meter(s) through which Salyersville provides water to the customers listed in Item 13(a).

b. State, for each customer listed in Item 13(a), the number of master meters that Salyersville uses to provide water to that customer.

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

17. Provide a system map showing all of Salyersville's facilities that are used to serve the customers listed in Item 13(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 13(a). The size of all mains shall be clearly indicated on this map.

18. State the portion, if any, of Salyersville's water main(s) that serve the customers listed in Item 13(a) that are gravity fed.

19. a. List Salyersville'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 Salyersville for water service for each of the previous 36 months to each of its wholesale customers and to its retail customers.

20. Provide Salyersville's current rate schedule for its retail customers and for each of its wholesale customers.

21. Complete the table below:

City of Salyersville	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		

21. a. State whether Salyersville provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments, fire protection services). If so, identify each entity receiving unmetered service.

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

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

23. a. Identify the person who prepared the cost-of-service study upon which the proposed rate is 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 (e.g., water or sewer) for which the report was prepared.

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

25. 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 Salyersville will seek an adjustment to recover expenses incurred in litigating this proceeding.

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

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

27. Provide the ordinance or resolution of the Salyersville City Council in which the proposed wholesale rate adjustment was approved.

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

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

30. Provide copies of all contracts for water service between Salyersville and its wholesale customers listed in Item 13(a).

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