

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED ADJUSTMENT OF)	CASE NO. 2019-00444
THE WHOLESALE WATER SERVICE RATES OF)	
PRINCETON WATER AND WASTEWATER)	

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION
TO PRINCETON WATER AND WASTEWATER

The Princeton Water and Wastewater (Princeton), pursuant to 807 KAR 5:001, is to file with the Commission the original and an electronic version of the following information. The information requested is due on or before April 17, 2020. Pursuant to the Commission's Order in Case No. 2020-00085,¹ issued March 16, 2020, Princeton SHALL NOT FILE the original paper copy of all requested information at this time, but rather shall file original paper copies within 30 days of the lifting of the current state of emergency. All responses in paper medium shall be appropriately bound, tabbed, and indexed.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. 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,

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID19* (Ky. PSC March 16, 2020).

and belief formed after a reasonable inquiry.

Princeton shall make timely amendment to any prior response if it obtains information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Princeton fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure 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 this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Princeton shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Direct Testimony of Tracy Musgove (Musgove Testimony).
 - a. Provide a list, including case number and date, of utility commissions before which Ms. Musgove has testified to date.
 - b. Explain how the cited attendance at conferences qualifies Ms. Musgove as an expert in Rate Making Principles.
 - c. Explain how experience as a senior commercial lender for twenty years gives Ms. Musgove the knowledge to properly set rates for the retail and wholesale customers of Princeton.

d. Provide a detailed explanation of what caused Princeton's flushing to more than triple within the last five fiscal years.

e. Ms. Musgove states that the reason for the increase in the wholesale rate is due to her research and discovery that the retail rate payers are paying a different rate schedule than the wholesale customers. Explain how the retail customer costs would not warrant a different rate for the retail customers.

2. Provide in comparison form the revenue requirement developed for the wholesale customers and the revenue requirement developed for the retail customers in Excel Spreadsheet format with all cells and formulas accessible. Include all inputs that were used to determine the revenue requirements.

3. Refer to Princeton's response to the January 10, 2020 Order, Item 26.

a. Provide a timeline of increases to the wholesale rates, beginning with 1983 when the rate was initially set at \$0.77 per 100 cubic feet. Provide the manner in which rate was increased each time, such as by a percentage, settlement, etc. Provide support for each rate increase.

4. Refer to Princeton's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 5.

a. Explain how the percentage of usage compared to percentage of revenue proves subsidization.

b. Provide the revenue that Princeton derives from its 5/8" x 3/4" residential customers who have usage at or below the minimum billable amount.

c. Provide the revenue that Princeton derives from its 5/8" x 3/4" residential customers that have zero usage only.

d. Provide support for Princeton's claim of subsidization by its residential customers, given the absence of a detailed analysis of the cost to serve the residential customers.

5. Refer to Princeton's response to Staff's Second Request, Item 15. Reconcile the statement that the information reviewed supports full-cost pricing with the fact that Princeton apparently did no analysis to determine the full-cost pricing of its water system.

6. Provide the following information for fiscal years ending June 30, 2015 – 2019.

Fiscal Years	Treatment Plant Production (Gallons)	Water Sales - Gallons					Difference Production & Sales
		Inside - City	Outside - City	Caldwell District	Lyon District	Total	
2015							
2016							
2017							
2018							
2019							

Years	Revenues - Water					Revenues Wastewater
	Inside - City	Outside - City	Caldwell District	Lyon District	Total	
2015						
2016						
2017						
2018						
2019						

7. Refer to Princeton's response to Staff's Second Request, Item 1.a, Pro Forma Income Statement for Fiscal Year ending June 30, 2019, Excel Spreadsheet, Tab: ProForma Income Stmt.

a. Princeton explains that the adjustments to its 2019 salaries and wages is based upon a 2.5 percent Cost of Living adjustment (COLA). Provide

documentation that supports Princeton's proposed 2.5 percent COLA employee wage adjustments.

b. For each category listed in the table below, provide the budgeted and the actual employee wage increases Princeton granted in fiscal years ending June 30, 2015 –2019.

- (1) Administration
- (2) Water Treatment Plant
- (3) Wastewater Treatment Plant
- (4) Maintenance

c. Princeton explains that the adjustment to its 2019 employee benefit expense is a 2.5 percent employee health insurance premium increase. Provide documentation that supports Princeton's proposed 2.5 percent employee health insurance premium increase.

d. Provide copies of the employee health insurance invoices for December of each fiscal year 2015-2019 that lists each employee.

e. Confirm that the pro forma amounts listed for each of the following expenses represents Princeton's 2021 budgeted/forecasted payroll as calculated in the Tab: 2021 Payroll.

- (1) Salaries
- (2) Payroll Tax
- (3) Employee Benefits
- (4) Retirement Funding

f. Given that the County Employment Retirement System (CERS) employer non-hazardous contribution rate effective July 1, 2019 is 24.06 percent, provide explain in detail why Princeton proposed to increase this rate by 12.90 percent to a pro forma CERS contribution rate of 26.95 percent.

g. Princeton proposes to adjust Account 200-6015 Chemicals Expense by \$24,618, giving the following explanation: "Inv Adj in 2019. See MOR projections." Provide documentation and an itemized calculation to support the proposed chemical adjustment. Also, provide a detailed explanation of the term "MOR projections."

h. Princeton proposes to adjust Account 200-6185 Sludge Removal Expense by \$28,133, giving the following explanation: "1/2 of Bi Annual lagoon cleaning." Provide copies of the invoices that supports the total lagoon cleaning cost of \$56,266. Also, provide a schedule listing the lagoon cleaning costs Princeton incurred from fiscal years 2009-2018.

i. Princeton proposes to adjust Account 300-6070 Utilities Expense by \$34,489, giving the following explanation: "Energy Audit Implementation." Provide a copy of Princeton's energy audit. Include an itemized calculation to support the proposed decrease.

j. Princeton proposes to adjust Account 4300-6670 Capital Cost/Labor by total of \$60,166, giving the following explanation: "Return to normal after RD capitalization." Provide itemized calculations to support the \$16,091 and \$34,075 adjustments. Also, provide a schedule listing the Princeton's reported Capital Cost/Labor for each fiscal year from 2009-2018.

8. Refer to Princeton's response to Staff's Second Request, Item 1.a, Pro Forma Income Statement for Fiscal Year ending June 30, 2019, Excel Spreadsheet, Tab: ProForma Income Stmt and to Princeton's response to January 10, 2020 Order, Item 12. The table below contains the total salaries reported for each expense category. Provide an explanation for each discrepancy between the amount reported in the two responses.

	PSC 2-1 Pro Forma Tab: Proforma Income Stmt	PSC 1-12 2019 Employee Wages & Healthcare Electon
a. Administration	\$ 220,629	\$ 218,145
b. Water Treatment Plant	\$ 178,041	\$ 171,682
c. Maintenance	\$ 251,546	\$ 257,569

9. Refer to Princeton's response to Staff's Second Request, Item 1.a, Pro Forma Income Statement for Fiscal Year ending June 30, 2019, Excel Spreadsheet, Tab: PSC 2-2. Provide copies of the workpapers and calculations used by Princeton to compute the water division's Average Annual Debt Principal and Interest Payments of \$176,065.

10. Refer to Princeton's response to Staff's Second Request, Item 1.a, Pro Forma Income Statement for Fiscal Year ending June 30, 2019, Excel Spreadsheet, Tab: 2021 Payroll.

a. Confirm that this spreadsheet represents Princeton's budgeted/forecasted employee related expenses for the Fiscal Year ending June 30, 2021. If this is not the purpose of this spreadsheet, provide a detailed explanation as to why it references 2021 and identify what it represents.

b. The cell entries on this spreadsheet are all hard entered. Provide a revised 2021 Payroll spreadsheet with all of the calculations intact and fully accessible. Also, provide the source document for each calculation.

11. Refer to Princeton's response to January 10, 2020 Order, Item 12.

a. Identify each administrative employee responsible for customer billing and collections. Provide an estimate of the time each employee spends

each month performing those functions. Include documentation to support Princeton's estimates.

- b. Identify each maintenance employee responsible for meter reading.

Provide an estimate of the time each employee spends reading Princeton's customers meters. Include documentation to support Princeton's estimates.

- 12. Refer to Princeton's response to Staff's Second Request, Item 3.

- a. Item 2.(6) originally requested:

For each category, the schedule should include the date of each transaction, the check number or other document references, the vendor, the hours worked, the rates per hour, the amount, a description of the services performed, and the account number in which the expenditure was recorded. Provide copies of contracts or other documentation that support charges incurred in the preparation of this case. Identify any costs incurred for this case that occurred during the base period.

For each category Princeton identified in its response (legal fees; engineering; and Director of Finance) provide the information as originally requested.

- b. Provide copies of the "Sturgill, Turner, Barker & Moloney" invoices that support the legal fees listed in Princeton's response.

- c. Provide copies of the "Hethcoat & Davis" invoices that support the engineering fees listed in Princeton's response.



Kent A. Chandler
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED MAR 27 2020

cc: Parties of Record

*L Allyson Honaker
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

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

*Dailey E Wilson
Wilson Law Firm, PLLC
635 Trade Avenue
PO Box 460
Eddyville, KENTUCKY 42038

*Princeton Water and Wastewater
101 E. Market Street
Princeton, KY 42445

*James Noel
Superintendent
Princeton Water and Wastewater
101 E. Market Street
Princeton, KY 42445

*Princeton Water and Wastewater
Princeton Water and Wastewater
101 E. Market Street
Princeton, KY 42445

*Caldwell County Water District
118 West Market Street
Princeton, KY 42445

*Tracy Musgove
Director of Finance
Princeton Water and Wastewater
101 E. Market Street
Princeton, KY 42445

*Lyon County Water District
5464 U. S. Highway 62 West
P. O. Box 489
Kuttawa, KY 42055

*Mark David Goss
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

*Marvin L Wilson
Wilson Law Firm, PLLC
635 Trade Avenue
PO Box 460
Eddyville, KENTUCKY 42038