

VERIFICATION

The undersigned, Mr. James S. Bruce, General Manager of the Hardin County Water District No.1, hereby verifies that he has personal knowledge of the matters set forth in the enclosed tariff revision, and that he is duly designated by the Board of Commissioners of the Hardin County Water District No. 1 to sign and submit this information on its behalf.

HARDIN COUNTY WATER DISTRICT No. 1

By *James S. Bruce*
JAMES S. BRUCE, GENERAL MANAGER

CERTIFICATION

This is to certify that a true and correct copy of the foregoing was delivered this 14 day of June, 2011 to Mr. Jeff Derouen, Executive Director, Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, KY. 40601-8204 and to Hon. David E. Spendard, Assistant Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, KY. 40601-8204

David T. Wilson II
Mr. David T. Wilson II, ESQ.
Attorney for Hardin County Water District No. 1

STATE OF KENTUCKY
COUNTY OF HARDIN

I, the undersigned, a Notary Public, do hereby certify that on this 14 day of June, 2011, personally appeared before me, James S. Bruce and David T. Wilson, II, who being by me first sworn, subscribed to and acknowledged that they both represent the Hardin County Water District No. 1, a Kentucky Corporation, that they have signed the foregoing document as General Manager and Attorney of the Corporation.

Kelise N. Freeland
NOTARY PUBLIC, STATE OF KENTUCKY # 431398

My Commission Expires; 11-5-14

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

**IN THE MATTER OF THE APPLICATION OF)
HARDIN COUNTY WATER DISTRICT No. 1 FOR)
1. APPROVAL TO MODIFY)
SEWER UTILITY TARIFF SHEET FOR)
SINGLE CUSTOMER, SPECIAL CONTRACT RATE)
)**

Filing No. _____

APPLICATION

- 1.. Applicant is a duly organized and operating water district organized and existing under the laws of the Commonwealth of Kentucky (KRS 74 ET. SEQ.) and is engaged in the business of treating and selling potable water and maintaining a water distribution system, and owns and operates two sanitary sewer utilities, located within the Ft. Knox military base reservation (Case No. 2004-00422) and within the City of Radcliff (Case No. 2008-00074).
- 2.. The applicant now operates and does business in an existing service area which includes the city limits of the City of Radcliff, the cantonment area of Ft. Knox and encompasses the City of Vine Grove and a portion of Hardin, Meade and Breckinridge counties immediately north of Vine Grove, and includes the sewer service area of record filed with the Commission. The entire service area is within the boundaries of the Commonwealth of Kentucky.
- 3.. The address of the applicant is 1400 Rogersville Road, Radcliff, Kentucky 40160 and has a web site address which is www.HCWD.com.
- 4.. Certified copies of the order of the Hardin County Fiscal Court establishing the water district and all amendments thereto are on record with the Public Service Commission and are unchanged as filed with Case No. 97-081.
- 5.. The applicant initially was approved by the Commission to begin operations as a sewer utility in order from the Commission, 2004-00422, dated December 1, 2004, as a response to the United States, Department of the Army ("DA"), request for proposals to take over ownership and operations of the Ft. Knox sanitary and storm sewer systems. After extensive review of three proposals received by DA, the applicant was selected and began operations of the systems on July 1, 2005.
- 6.. A Utility Service Contract ("Contract") has been entered into between the applicant and the DA, which governs the terms and requirements of service from the applicant and the DA, and said contract was approved by the Commission under Case No. 2004-00422. A copy of this contract, with all modifications to date, was filed with last tariff change filed with the Commission on August 25, 2008.

- 7.. The applicant previously filed a Tariff revision as a Special Contract on September 24, 2010 with the Commission notifying the applicant of approval on October 12, 2010 with Filing Number TFS2010-00564. The approved monthly rates were \$230,057 for sanitary sewer services and \$38,040 for storm water services, with the combined total monthly charge being \$268,097.
- 8.. The applicant has now updated its costs to provide all services under the Contract. The DA continues to require that the applicant charge a fixed monthly amount, for all services provided, including operations, allocated costs and capital. Said charges only apply to this single customer, being the DA.
- 9.. The DA, as the only customer, has been presented with notice of the revised rate (KAR 5:001, Section 8 & KRS 278.185), and evidence of this notification is included as Exhibit 2. Due to timing requirements of the annual DA budget, this rate has already been programmed into the DA budget, with the agreed rate becoming effective October 1, 2011. A letter from the DA accepting the new rate is in the enclosed supporting documentation (Exhibit 3).
- 10.. The revised monthly rate represents an 2.3% increase over the current rate, which has been in effect since November, 2010. The monthly increase is \$6,158, with the total amounts per month being \$235,239 for sanitary sewer services and \$39,816 for storm water services, with the combined total monthly charge being \$275,055. The different cost components compromising the fixed monthly rate are shown in Exhibit 4. Factors which affect and were used in revising the rate are;
 - a.. The Applicant's calculated depreciation expense, for the Ft. Knox sewer utility, for 2010 was \$534,319. In accordance with the Contract, the Applicant is required to provide an annual Capital Improvement Plan to the DA, and to annually replace an agreed amount of the system. With the revised contract rate, the DA and Applicant have agreed to include annual capital program funding in the amount of \$1,163,916 (using three year average, 2011, 2012 and 2013). The Applicant and DA have agreed that this amount of annual funding will be adequate to maintain the required capital program. A copy of years 2012 - 2016 planned capital program is included in the enclosed supporting documentation (Exhibit 5).
 - b.. Of the total operations expense (non-capital) included in the rate to the DA, 96% is for payment to the Applicant's operations contractor, Veolia Water, North America, South, LLC ("VWNA"). The Applicant and VWNA entered into a contract in July, 2005, whereby VWNA would provide all agreed operations services for a fixed monthly fee. A copy of this contract was submitted to the Commission with case 2004-00422. The new fee represents an increase of 2.3%. A copy of the notification memo from VWNA is provided in the enclosed supporting documentation (Exhibit 7).
- 11.. With the initial negotiated agreement, the DoA required a fixed monthly rate to include all charges and costs. As the requirement for a fixed monthly complete charge, which removes much of the purpose of rate design, the Applicant requests a deviation from KAR 5:001, Section 10, and request that the Commission consider this rate and tariff revision to be considered a Special Contract, in accordance with KAR 5:011, Section 13.

WHERETO, Hardin County Water Applicant No. 1 request that the Public Service Commission of the Commonwealth of Kentucky consider this filing and tariff change in order to begin charging the new rate no later than October 1, 2011. If additional information is required, the Applicant further requests that the Commission contact the Applicant by telephone or electronic mail with contact information being;

Attorney:

Mr. David Wilson, II, Esq
Attorney, HCWD1
Skeeters, Bennett, Wilson & Pike
550 W. Lincoln Trail Blvd.
Radcliff, KY. 40160
Phone: 270-351-4404
email: david.wilson@sbw-law.com

Applicant:

Mr. Jim Bruce
General Manager, HCWD1
1400 Rogersville Road
Radcliff, KY. 40160
Phone: 270-351-3222
email: jbruce@hcwd.com

Dated at Radcliff, Kentucky, this 14 day of June, 2011.

HARDIN COUNTY WATER DISTRICT No. 1

By: 

David T. Wilson II, Attorney at Law
Attorney for Hardin County Water Applicant No. 1
Skeeters, Bennett, Wilson & Pike, PLC
550 W. Lincoln Trail Blvd., P.O. Box 610
Radcliff, Ky 40160
(270) 351-4404

Supporting Data / Information

May 20, 2011

Revised Tariff Submittal
Ft. Knox Sewer Utility

Submitted By:
Hardin County Water District No. 1
1400 Rogersville Road
Radcliff, KY 40160
Phone: 270-351-3222
Mr. Jim Bruce, General Manager
email: jbruce@hcwd.com

List of Exhibits

<u>Exhibit</u>	<u>Exhibit No.</u>
Revised Rate Tariff Sheet	1
Notification to Customer	2
Customer Rate Acceptance Letter	3
Rate Cost Components	4
2012 - 2016 Year Capital Program	5
Annual Fee Adjustment Notice - Veolia Water	6

Hardin County Water District No. 1

Serving Radcliff and Hardin County for Over 50 Years

1400 Rogersville Road
Radcliff, KY. 40160

June 2, 2011

Ms. Ericka Azzarello Smith, Contract Administrator
MICC Center - Fort Knox
CCMI-RCK
Building 1109B, Suite 250
199 6th Avenue
Fort Knox, KY 40121

SUBJECT: Notice of Proposed Rate Change / Tariff Change

Dear Ms. Smith;

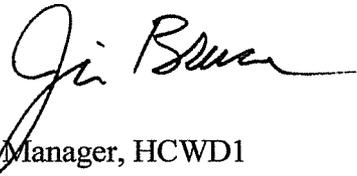
As we have previously discussed and agreed upon, we are required to send you this formal notice in accordance with Kentucky Revised Statutes, Chapter 278.185 regarding advance notice of a sewer rate change. The District intends to file a tariff and rate change request with the Kentucky Public Service Commission (PSC) at the earliest convenience. As you are aware, our last rate adjustment was October 1, 2010.

As requested by the Government, the rate will continue to be a fixed amount per month. We intend to request this new rate become effective October 1, 2011. The new monthly sanitary sewer rate would be \$235,239, which is an increase of 2.25% or a monthly increase of \$5,182. The monthly storm sewer rate would be \$39,816, which is a increase of 2.51% or \$976 monthly. The combined amounts result in a 2.3% total increase or an increase of \$6,158 monthly.

As a customer of a regulated utility, you may by motion, within thirty (30) days of this notice, request leave to intervene in this case. That motion shall be submitted to the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky, 40602, and shall set forth the grounds for the request including the status and interest you may have in the filing. As we have mentioned in our previous communications, we will automatically provide you a copy of the actual filing to the PSC, as soon as it is complete and is filed with them.

As usual, please feel free to call or contact me if you have any questions.

Sincerely,



General Manager, HCWD1

Cf; Kentucky Public Service Commission
Mr. David Wilson III, HCWD1 Legal Counsel
Encl.



DEPARTMENT OF THE ARMY
MISSION AND INSTALLATION CONTRACTING COMMAND CENTER - FORT KNOX
199 6TH AVENUE, SUITE 250
FORT KNOX, KENTUCKY 40121-5720

CCMI-RCK

2 June 2011

Mr. William Rissel
Chairman, Board of Commissioner
Hardin County Water District No. 1
1400 Rogersville Road
Radcliff, KY 40160

SUBJECT: Proposed Rate Acceptance

Dear Mr. Rissel,

The Government has reviewed the proposed rate for your District to provide all sanitary and storm sewer services required under the Privatization of Waste Water and Storm Water Utility Services Contract (Contract W9124D-05-C-0017) dated 30 September 2004. It is our understanding that a new monthly rate of \$275,055 would become effective 1 October 2011 and represents a 2.3% increase from the current rate that became effective 1 October 2010.

The Government understands this proposed rate is still subject to approval by the Public Service Commission (PSC) and the PSC may order rates more or less than that proposed by the District.

Your staff has met with me and Fort Knox staff on several occasions to address numerous questions regarding the new rate, individual costs, and changes in specific costs. The Government has been assured this new rate will continue providing adequate sanitary and storm sewer utility services for Fort Knox.

As a result of our meetings and exchange of information, the Government is in agreement with the proposed rate, and will not protest the new rate during the rate filing. We will be filing to intervene during the case to ensure we are a party of record and to receive copies of all filings, motions, and evidence during the new rate case review. The Government also reserves the right to testify and/or object to the new rate if future facts or information are disclosed that could cause us to raise an opposition or objection.

We appreciate your staff meeting with us to discuss the proposed rate and address our questions and concerns and the District's efforts to provide reliable, reasonably priced utility services for the Government.

Sincerely,

Charles R. Teague
Contracting Officer

B.5 Change in Rates of Service

The Contractor shall submit any request for a rate adjustment to the Contracting Officer no later than 1 February of each year. Any request for rate adjustment shall be in the following format and include supporting documentation specifying the reasons for proposed increases. Any changes to rates shall be made a part of the contract by issuance of a contract modification which will establish the effective date of the change.

	Proposed Sewer	Proposed Storm Water	Proposed Total	Current Total	Difference	%
<u>HCWD#1 Mgmt & Admin</u>						
Salaries & Benefits	\$ 69,422	\$ 12,734	\$ 82,156	\$ 82,156	\$ 0	%0.00
Legal	\$ 3,475	\$ 637	\$ 4,112	\$ 4,112	\$ 0	%0.00
Accounting	\$ 5,070	\$ 930	\$ 6,000	\$ 6,000	\$ 0	%0.00
Insurance (Risk/Liability)	\$ 27,961	\$ 5,129	\$ 33,090	\$ 33,090	\$ 0	%0.00
Fixed Charges	\$ 9,610	\$ 1,763	\$ 11,373	\$ 11,373	\$ 0	%0.00
Allocated Costs	\$ 5,055	\$ 927	\$ 5,982	\$ 5,982	\$ 0	%0.00
Subtotal	\$ 120,593	\$ 22,120	\$ 142,713	\$ 142,713	\$ 0	%0.00
<u>Operations & Maint</u>						
Salaries & Benefits	\$ 928,970	\$ 169,623	\$1,098,593	\$1,043,750	\$ 54,843	%5.25
Vehicle Costs	\$ 91,413	\$ 21,443	\$ 112,856	\$ 111,215	\$ 1,641	%1.48
Laboratory & Pretreatment	\$ 115,516	\$ 0	\$ 115,516	\$ 110,015	\$ 5,501	%5.00
Waste & Sludge Disposal	\$ 66,304	\$ 0	\$ 66,304	\$ 65,004	\$ 1,300	%2.00
Repair & Maintenance	\$ 152,698	\$ 24,858	\$ 177,556	\$ 177,556	\$ 0	%0.00
Chemicals	\$ 20,700	\$ 0	\$ 20,700	\$ 20,700	\$ 0	%0.00
Business Costs	\$ 390,044	\$ 63,496	\$ 453,540	\$ 442,924	\$ 10,616	%2.40
Subtotal	\$1,765,645	\$ 279,420	\$2,045,065	\$1,971,164	\$ 73,901	%3.75
<u>System Replacement</u>						
Motor & Pump Replacement	\$ 248,736	\$ 0	\$ 248,736	\$ 248,736	\$ 0	%0.00
Line Replacement WWTP	\$ 362,784	\$ 152,207	\$ 514,991	\$ 514,991	\$ 0	%0.00
Repairs/Upgrades	\$ 227,359	\$ 0	\$ 227,359	\$ 227,359	\$ 0	%0.00
Engineering Design	\$ 39,806	\$ 7,248	\$ 47,054	\$ 47,054	\$ 0	%0.00
Inspection	\$ 15,901	\$ 3,243	\$ 19,144	\$ 19,144	\$ 0	%0.00
Management (SBA, Other)	\$ 48,219	\$ 6,114	\$ 54,333	\$ 54,333	\$ 0	%0.00
Geotechnical Service	\$ 7,056	\$ 1,621	\$ 8,677	\$ 8,677	\$ 0	%0.00
Surveying	\$ 3,580	\$ 763	\$ 4,343	\$ 4,343	\$ 0	%0.00
Planning & Environmental	\$ 34,225	\$ 5,054	\$ 39,279	\$ 39,279	\$ 0	%0.00
Subtotal	\$ 987,666	\$ 176,250	\$1,163,916	\$1,163,916	\$ 0	%0.00
Less Muldraugh Credit	-\$51,036	\$ 0	-\$51,036	-\$51,036		
Total Annual Price	\$2,822,869	\$ 477,791	\$3,300,658	\$3,226,758	\$ 73,900	%2.30
Total Monthly Price	\$ 235,239	\$ 39,816	\$ 275,055	\$ 268,897	\$ 6,158	%2.30

2012 - 2016 Capital Projects Cost Overview



Renewal/Replacement Wastewater Projects		2012	2013	2014	2015	2016
Wastewater Treatment Plant						
1	Paint one (1) Clarifier & Misc	\$40,000	X			
2	Disinfection SCADA Upgrade	\$60,000	X			
3	Splitter & Thickner Valve Replacement	\$225,000		X		
4	RAS & WAS Remote Control/SCADA Upgrade	\$200,000	X			
5	Roof Replacement - Various Bldgs.	\$100,000				X
6	Replace PTB Grit System Rehab Phase I/II	\$150,000		X		X
7	Oxidation Ditch Supplemental Mixers	\$120,000			X	
8	Garage Door Replacement	\$100,000				X
9	RAS & WAS Spare Pump Replacement	\$100,000				X
10	Forklift Replacement	\$50,000				X
Collection System & Lift Stations						
11	Rehab/Replace Manholes	\$150,000	X	X	X	X
12	Rehab/Replace Main Lines	\$150,000	X	X	X	X
13	CIPP Lining 3,600 ft of Laterals	\$75,000	X	X	X	X
14	Install Generator at Pinwheel Lift Station (70 Kw)	\$25,000			X	
15	Install Generator at Camp Carlson Lift Station (70 Kw)	\$25,000		X		
16	Replace Marine Lift Station (7238)	\$100,000	X			
17	Replace Pritchard Place Lift Station (4760)	\$150,000	X			
18	Rehab/Replace Wilson Road 15" VCP Line - Phase I/II	\$150,000	X	X		
19	Chaffee Lift Station Replacement	\$400,000	X			
20	Rehab/Replace Wilson Road 24" VCP Line - Phase III	\$380,000			X	
Storm Water System						
21	Misc Storm Water Projects	\$200,000	X	X	X	X
Yearly Estimated Totals:		\$1,100,000	\$1,075,000	\$1,125,000	\$1,100,000	\$1,075,000

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November 31, 2010

Jim Bruce
Hardin County Water District No. 1
1400 Rogersville Road
Radcliff, KY 40160

Dear Jim:

This letter will serve as official notice of our proposed adjustment to our Annual O&M Fee that was originally agreed on in section 6.1 of the contract dated June 30, 2005 between Hardin County Water District No. 1 and Veolia Water North America.

Our O&M fee, last amended on November 17, 2010, will increase from 1,971,164 to 2,156,272 effective October 1, 2011 to September 30, 2012. The O&M fee is adjusted 3.55% to reflect cost of living increases for employees and increases in benefit costs along with other activities such as fuel, vehicle maintenance, lab, sludge hauling, and business costs.

The breakdown is as follows:

- The salaries and benefits are anticipated to increase by 5.12% and include an increase in health care cost.
- The vehicle costs are anticipated to increase by 1.12% and include fuel and vehicle maintenance.
- The lab costs are anticipated to increase by 5%. This includes in-house and outside lab costs.
- The sludge costs are anticipated to increase by 2%. This includes the cost for polymer, hauling, and landfill tipping fees.
- The business costs are anticipated to increase by 2.16% cost.

	2011 Proposed Increase	2011 Proposed Army Breakdown			2011 Lateral Lining	2011 Total Ops & Lateral
		Sanitary	Storm	Total		
Salaries	\$ 1,125,990	\$ 928,970	\$169,623	\$1,098,593	\$ 27,397	\$1,125,990
Vehicle	\$ 148,137	\$ 91,413	\$ 21,443	\$ 112,856	\$ 35,281	\$ 148,137
Lab	\$ 115,516	\$ 115,516	\$ -	\$ 115,516	\$ -	\$ 115,516
Sludge	\$ 66,304	\$ 66,304	\$ -	\$ 66,304	\$ -	\$ 66,304
Repairs	\$ 177,556	\$ 152,698	\$ 24,858	\$ 177,556	\$ -	\$ 177,556
Chemical	\$ 20,700	\$ 20,700	\$ -	\$ 20,700	\$ -	\$ 20,700
Business Costs	\$ 502,069	\$ 390,044	\$ 63,496	\$ 453,539	\$ 48,530	\$ 502,069
Subtotal	\$ 2,156,272	\$1,765,645	\$279,419	\$2,045,064	\$111,208	\$2,156,272

If you have any questions feel free to contact me at 615-545-1979 or Anthony Link at the plant.

Sincerely



Clure L. Winfree

cc: Anthony Link

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