



Ernie Fletcher  
Governor

Teresa J. Hill, Secretary  
Environmental and Public  
Protection Cabinet

Timothy J. LeDonne  
Commissioner  
Department of Public Protection

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
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Mark David Goss  
Chairman

John W. Clay  
Commissioner

March 6, 2007

Jim Bruce  
General Manager  
Hardin County Water District #1  
1400 Rogersville Road  
Radcliff, KY 40159-0489

RE: Case No. 2006-00410

Please see enclosed data request from Commission Staff in the above case.

If you need further assistance, please contact Mark Frost at (502) 564-3940 ext. 274.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

BOD/sh  
Enclosure



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March 6, 2007

Honorable David Edward Spenard  
Assistant Attorney General  
Office of the Attorney General Utility & Rate Intervention Division  
1024 Capital Center Drive  
Suite 200  
Frankfort, KY 40601-8204

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March 6, 2007

Honorable David T. Wilson II  
Attorney at Law  
Skeeters, Bennett, Wilson & Pike  
550 West Lincoln Trail Boulevard  
P.O. Box 610  
Radcliff, KY 40160

RE: Case No. 2006-00410

Please see enclosed data request from Commission Staff in the above case.

If you need further assistance, please contact Mark Frost at (502) 564-3940 ext. 274.

Sincerely,

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HARDIN COUNTY )  
WATER DISTRICT NO. 1 FOR A GENERAL ) CASE NO.  
RATE ADJUSTMENT EFFECTIVE ON AND ) 2006-00410  
AFTER DECEMBER 2, 2006 )

COMMISSION STAFF'S THIRD INFORMATION REQUEST  
TO HARDIN COUNTY WATER DISTRICT NO. 1

Hardin County Water District No. 1 ("Hardin") is requested, pursuant to 807 KAR 5:001, to file with the Commission no later than March 20, 2007, the original and 8 copies of the following information, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to Hardin's response to Commission Staff's First Information Request, Item 11.

a. In its response to 11(a), Hardin failed to include a copy of the ordinance or resolution for its 1998 “fixed rate” bond issuance. Provide a copy of the ordinance or resolution for that bond issuance.

b. In response to 11(c), Hardin submitted a combined amortization schedule for its outstanding bond issuances. Provide a separate amortization schedule for each bond issuance using the format in Table 2(b) below.

Table 2(b)					
<u>Year</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal &amp; Interest</u>	<u>Outstanding Balance</u>
2005					

2. Refer to Hardin’s response to Commission Staff’s Second Information Request, Item 6(e). Hardin did not respond to Commission Staff’s request that it explain, “[w]hy it is appropriate and necessary for Hardin to calculate its revenue requirements using the debt coverage inclusive of depreciation expense as done at page 1 of Exhibit 11 of the application” when the 2005 bond issuance requires a 120 percent debt service coverage exclusive of an allowance for depreciation. Provide Hardin’s explanation as Commission Staff originally requested.

3. Refer to Hardin’s response to Commission Staff’s Second Information Request, Items 8(c) and (d).

a. Provide an itemized list of the sewer and waste water activity that occurs at the Service Center.

b. Hardin states that it will be performing an update of its sewer rate to the government based upon actual cost of service in 2008. Is Hardin currently tracking

the actual costs that it is incurring to operate either the sewer or the waste water operations?

c. If the response to 3(b) is yes, provide the actual costs that Hardin is incurring to operate the sewer and waste water operations.

d. If the response to 3(b) is no, explain why Hardin is not currently tracking those costs.

4. Refer to Hardin's response to Commission Staff's Second Information Request, Item 3.

a. Has Hardin included either the financing costs or the depreciation expense associated with these projects in its calculation of the revenue requirement? If the response is yes, identify the projects that have been included.

b. Explain why these construction projects are included in test-period Construction Work In Progress.

(1) Lex-A-Villa North, Water Main Extension, Estimated completion date December 12, 2001.

(2) Hilltop Section 10, Water Main Extension, Estimated completion date April 9, 1999.

(3) Whispering Hills Section 15, County Expansion Project, Estimated completion date May 2000.

5. Refer to Hardin's response to Commission Staff's Second Information Request, Item 12.

a. Identify the "year end adjusting entries" that will increase or decrease the unaudited income from sewer operations of \$416,000.

b. Are the “numerous and significant capital projects” referenced in 12(a) the projects that were funded with the government contribution of \$15,197,541?

c. If the response to 5(b) is yes, explain why it is appropriate to include depreciation on utility plant in service that has been funded by cost-free capital, contributions in aid of construction.

d. If the response to 5(b) is no, identify each project, its total cost, the date completed, how it was funded, and the impact on depreciation expense. Include all workpapers, calculations, and assumptions used in the response.

6. In reviewing Hardin’s response to Item 12 of Commission Staff’s Second Information Request, it was noted that Hardin did not respond to Item 12(b).

a. Absent the allocation of a portion of the net income of the storm water operations to its water division, state the benefits accruing to Hardin’s water customers in this proceeding in return for assuming the risk of ownership of these storm water assets.

b. Identify the benefits accruing to Hardin’s water customers in this proceeding in return for assuming the risk of ownership of sewer assets.

7. Refer to Exhibit 11 of the Application, Revenue Requirements. Provide workpapers, calculations, and assumptions that Hardin used to derive the \$69,396 adjustment for reimbursement from sewer utility for salaries.

8. Refer to Hardin’s responses to Commission Staff’s Second Information Request, Items 17 and 20. According to the response to Item 20, 237.5 hours of Brett Pyles’ time was spent on sewer-related functions, which results in a sewer allocation

factor of 11.4 percent.<sup>1</sup> Explain why Hardin used a 25 percent allocation to the sewer operations for the assets listed in the response to Item 17.

9. Refer to Hardin's response to Commission Staff's Second Information Request, Item 19. In its response to Item 8 of the Commission Staff's First Information Request, Hardin listed the monthly employee health insurance premium as \$295.31, but the current monthly premium is approximately \$260. Provide the monthly premium Hardin used to calculate its pro forma employee health insurance.

10. Refer to Hardin's response to Commission Staff's Second Information Request, Item 20 and Hardin's response to Commission Staff's First Information Request, Item 8. Using the responses to these requests, calculate the salary for each employee listed in the response to Item 20 broken down into the following categories.

- a. Regular
- b. Overtime
- c. Meter Reading
- d. Meter Installations
- e. Capitalized
- f. Sewer

11. Refer to Hardin's response to Commission Staff's Second Information Request, Item 20. The normal hours that an employee works during an annual period are 2,080. Explain why the employees listed in the Table 11 below either worked over or under the normal number of annual hours.

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<sup>1</sup>  $237.5 \text{ (Sewer Hours)} \div 2,080 \text{ (Total Hours)} = 11.4\%$ .

	<u>Employee Name</u>	<u>Test-Period Hours</u>
a.	Charles Williams	2,166
b.	Karen Brown	2,126
c.	Sandra Hammock	1,583
d.	Lynn King	2,033
e.	Kim Burmns	2,076
f.	Deondrea Bostic	1,959
g.	John Mancik	2,202
h.	Cecil Asberry	1,759
i.	Linda Thompson	2,081
j.	Moseley Mike	593
k.	Jim Gray	2,140
l.	Jerry McCoy	2,181
m.	Clifford (Jay) Davis	1,447
n.	Chris Cecil	1,998
o.	Mike McKinley	2,137
p.	Steve Ellington	2,120
q.	John Thomas	2,064
r.	Donnie Underhill	2,196
s.	James Perry	2,194

12. a. Has Hardin received notification from the Kentucky Retirement System of the employer contribution rate that will be effective for the Fiscal Year 2007 through 2008?

b. If the response is yes to 12(a), provide a copy of the correspondence.

13. Refer to Hardin's response to Commission Staff's Second Information Request, Item 37. For each payment listed in Table 13 below provide the account(s) each payment was charged.

<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>
71570	Grassy Knoll, Inc.	558.00
71571	Harris	7,632.00
71575	Peterson Truck Center	54,769.00
71577	Radcliff Rotary Club	35.00
71649	James D. Or Theresa K. Reed	50.00
71656	Tim Davis and Associates	2,335.72

Table 13 (Cont.)

<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>
71657	Tim Davis and Associates	2,233.14
71659	Grassy Knoll, Inc.	2,148.10
71695	Beckmar	1,680.00
71698	CI Thormburg	5,864.72
71699	Dataimage	1,960.00
71705	Holt Equipment Co.	587.70
71706	Horizon Inspection Services	738.25
71709	Martin & Associates	5,935.00
71710	Myers Concrete Products	2,850.00
71711	Nalco Chemical Co.	16,270.80
71714	Quest Engineers, Inc.	1,000.00
71715	Radcliff Community Leadership	500.00
71716	Reynolds, Inc.	2,137.57
71717	Sungard	11,422.28
71725	Hunt Tractor	57,581.00
71793	High Tide Technologies	270.00
71797	Martin & Associates	8,499.07
71798	Quest Engineers, Inc.	5,322.24
71800	Sungard	1,838.60
71821	Jeff Jones Chevrolet	14,141.00
71822	Kentucky Retirement Systems	10,041.11
71825	Metro United Way of Central KY	142.50
71826	PNC Advisors Retirement	9,982.97
71830	Tim Davis and Associates	2,239.44
71871	Kenney, Inc.	496,466.51
71873	Kentucky Glass Lined Tank	17,676.00
71875	Phillips Brothers Construction, LLC	668,084.49
71882	Dataimage	3,177.18
71925	Metro United Way of Central KY	142.50
71963	Jim Bruce	73.00
71967	CI Thormburg	6,840.00
71969	Engineering Design Group	1,732.50
71971	Fifth Third Bank	3,658.55
71976	Hughes Supply, Inc	11,182.07
71977	JP Morgan Securities, Inc.	828.33
71983	T&W Office Products	4,345.00
71990	Breckinridge County Court Clerk	60.00
71995	Kim Burns	966.94
72000	Humana Health Plan, Inc.	701.47

Table 13 (Cont.)

<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>
72013	Tim Davis and Associates	2,233.14
72014	Tim Davis and Associates	2,473.44
72017	Kenney, Inc.	125,985.62
72018	Kentucky Glass Lined Tank	2,493.00
72019	SJ Cox Enterprises, Inc.	26,288.58
72051	MTS Swope Motors	19,714.10
72052	Chris Cecil	171.31
72055	Phillips Brothers Construction, LLC	142,262.57
72058	Grassy Knoll, Inc.	2,960.32
72085	Fifth Third Bank	39,796.66
72092	Carlton Satellite Systems	135.00
72094	Corvin's Carpet	1,128.57
72100	Gemini Group, LLC	2,205.00
72101	Hach	5,312.50
72106	Kentucky Classified Network	768.65
72108	Martin & Associates	1,081.00
72110	Nalco Chemical Co.	12,524.40
72116	USA Bluebook	2,505.08
72118	Waterworks Supplies	8,010.19
72124	Metro United Way of Central KY	132.00
72140	PNC Advisors Retirement	23,318.22
72141	Radcliff Rotary Club	35.00
72185	Douglas Kasey	2,536.00
72186	Kenney, Inc.	80,178.70
72187	Kentucky Glass Lined Tank	7,380.00
72188	Phillips Brothers Construction, LLC	338,703.04
72189	SJ Cox Enterprises, Inc.	28,298.45
72191	Basham Lumber C.	1,896.80
72197	Hayes Pipe Supply, Inc.	1,402.85
72204	Quest Engineers, Inc.	420.00
72205	Radio Communications Systems	2,475.00
72247	Meredith & Son	8,486.62
72257	Swope Motors	772.08
72299	Lincoln Trail Regional	4,500.00
72307	Fifth Third Bank	12,226.91
72313	Gemini Group, LLC	2,501.60
72316	Jacobi Sales	224.38
72319	Moody's Investors Service	500.00
72322	Waterworks Supplies	14,792.00
72332	Kenney, Inc.	119,240.11

Table 13 (Cont.)

<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>
72333	Kentucky Glass Lined Tank	61,056.00
72335	Phillips Brothers Construction, LLC	145,695.72
72336	Quest Engineers, Inc.	234,221.14
72338	SJ Cox Enterprises, Inc.	10,392.97
72386	Kim Burns	1,402.70
72388	Elizabethtown Radiology	14.40
72396	Engineering Design Group	735.00
72400	Hayes Pipe Supply, Inc.	5,827.61
72403	Skeeters, Bennett and Wilson	7,400.92
72405	Waterworks Supplies	12,366.84
72415	The City of Radcliff	6,390.00
72445	Colonial	329.32
72470	B&W Metals	4,221.99
72472	Bart's Lawn Service	8,132.80
72480	Hartford Fire Insurance	2,508.00
72481	Hayes Pipe Supply, Inc.	12,065.16
72486	JP Morgan Securities, Inc.	831.78
72487	Kenney, Inc.	112,259.86
72489	Kentucky Glass Lined Tank	125,213.04
72493	Phillips Brothers Construction, LLC	114,545.03
72494	Quest Engineers, Inc.	9,707.42
72498	Skeeters, Bennett and Wilson	4,964.00
72499	Spatial Data Integrations, Inc.	2,800.00
72502	Waterworks Supplies	5,397.41
72503	Wemhoener Water Works	2,917.34
72560	High Tide Technologies	1,320.24
72592	Harris Computer Systems	450.00
72637	Hardin Memorial Hospital	1,000.24
72661	Bart's Lawn Service	7,053.10
72676	Quest Engineers, Inc.	1,425.00
72679	Southern Backhoe, Inc.	9,950.00
72681	Waterworks Supplies	217,434.87
72693	Kenney, Inc.	117,217.08
72694	Kentucky Glass Lined Tank	124,938.37
72695	Phillips Brothers Construction, LLC	129,297.91
72697	Staeffer Pump and Supply	3,240.00
72698	Waterworks Supplies	144,797.98
72718	PNC Advisors Retirement	74,107.96
72723	Treasurer of US	3,248.16
72756	Kenney, Inc.	21,971.03
72757	Kentucky Glass Lined Tank	69,779.29

Table 13 (Cont.)

<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>
72757	Kentucky Glass Lined Tank	69,779.29
72758	Phillips Brothers Construction, LLC	93,991.39
72806	Bart's Lawn Service	4,424.60
72819	Hayes Pipe Supply, Inc.	4,653.75
72825	Nalco Chemical Co.	12,658.80
72826	Quest Engineers, Inc.	9,168.13
72827	Reynolds, Inc.	10,304.91
72830	Southern Backhoe, Inc.	17,900.00
72836	Waterworks Supplies	13,629.78
72871	SJ Cox Enterprises, Inc.	3,420.00
72971	Frost, Brown, Todd	15,179.24
72977	HPP Industrial Sales	1,103.00
72978	J&K Communications	7,974.50
72985	Nalco Chemical Co.	12,742.80
72986	Sewell Industrial Electronics	24,606.36
72987	Southern Backhoe, Inc.	11,950.00
72992	Waterworks Supplies	79,293.43
73000	Kenney, Inc.	33,798.96
73001	Kentucky Glass Lined Tank	27,560.00
73003	Phillips Brothers Construction, LLC	82,178.77
73006	Bart's Lawn Service	5,566.00
73008	Meredith & Son	3,803.88
73161	Bart's Lawn Service	5,467.69
73167	Hayes Pipe Supply, Inc.	12,325.77
73175	Quest Engineers, Inc.	3,986.23
73180	Sewell Industrial Electronics	13,525.00
73183	Southern Backhoe, Inc.	9,600.00
73190	Waterworks Supplies	15,461.80
73192	Hardin County Waer Dist. #1	6,803.00
73194	Murrell Construction, Inc	44,975.46
73195	Kenney, Inc.	100,980.98
73196	Kentucky Glass Lined Tank	9,764.50
73197	Phillips Brothers Construction, LLC	121,340.39
73251	William Gossett	2,000.00
73317	All Country Paving	4,500.00
73319	Bart's Lawn Service	2,545.85
73330	J&K Communications	30,111.75
73342	Southern Backhoe, Inc.	19,275.00
73343	Temco, Inc.	2,681.00
73408	Waterworks Supplies	8,399.98
73414	Dickie Cecil	8,624.98

Table 13 (Cont.)		
<u>Check Number</u>	<u>Vendor</u>	<u>Amount</u>
73415	The City of Vine Grove	4,882.50
73419	Highpoint Const, Inc.	9,868.36
73420	Joe Anderson	13,331.30

14. Refer to Hardin's Application, Exhibit 10, "Billing Analysis (Existing and Proposed Rates)."

a. Explain how Hardin selected the size of the usage blocks for its billing analysis.

b. Explain why, if the current rate structure of the first 15,000 gallons and over 15,000 gallons is the most appropriate structure for Hardin, why did Hardin use a usage block of 14,000 gallons to 24,999 gallons in its billing analysis?

15. Refer to Hardin's Application, Exhibit 16, "Schedule A, Cost of Service Comparison with Existing and Proposed Revenues/Rates and Schedule B, Allocation of Cost of Service by Function to Customer Classifications."

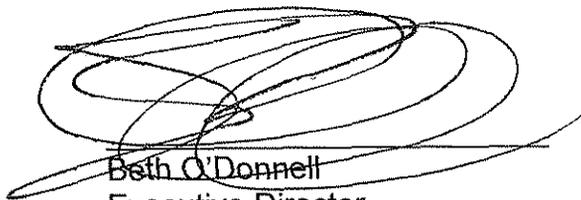
a. The calculation of the Meter Charge on Schedule A, appears to contain a calculation error from the information provided on Schedule B for the three segments of the charge as stated on Schedule A. Identify the segments of Schedule B used to calculate the Meter Charge Rate on Schedule A.

b. In Hardin's response to Item 15(a), include all workpapers, calculations and assumptions used by Hardin to calculate its response.

16. Refer to Hardin's Application, Exhibit 16, "Cost of Service Study."

a. Identify the location of the calculation of the volumetric rate on this Exhibit.

b. Identify all segments of the Cost of Service Study worksheets used to calculate the volumetric rate.

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Beth O'Donnell  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, Kentucky 40602

Dated: March 6, 2007

cc: Parties of Record