

RECEIVED

MAY 06 2010

PUBLIC SERVICE  
COMMISSION

May 6, 2010

RE: PSC Case No. 2009-00428  
Proposed Rate Adjustment of Wholesale  
Water Service Rates of the City of Greensburg

To Whom It May Concern:

The following information is the City of Greensburg's response to the questions submitted by Carryn Lee, representing Green Taylor Water District. A copy of the questions is enclosed. The response is tabbed in accordance with numbering for the questions.

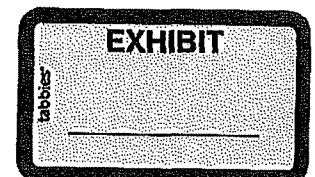
Sincerely,  
Bell Engineering

  
Willis D. Jackson  
Utility Finance Specialist.

c: Public Service Commission, 1 original plus 6 copies  
George C. Cheatham, Mayor, City of Greensburg  
Nancy Stearman, CPA  
John D. Henderson, Atty  
Carryn Lee  
Green Taylor Water District

QUESTIONS REGARDING THE COST OF SERVICE STUDY PREPARED BY BELL ENGINEERING FOR  
THE CITY OF GREENSBURG

1. Does the city have a breakdown of depreciation expense in more detail than that shown on Table 2, Page 4, of the rate analysis? If so, please provide.
2. When does the city expect to close on the RD loan mentioned on Page 5 of the rate study?
3. Refer to Table 3 on Page 5 of the rate study. A debt coverage of .20 is set out as a coverage requirement. Are all funding sources used by Greensburg requiring a .20 coverage?
4. With regard to debt service, a statement is made that "many new main water lines and "loop" lines within the city of Greensburg". Which debt instruments were used to finance inside city lines? What percentage of the cost was for the replacement of aging infrastructure within the city?
5. Refer to Table 1, Page 3 of the study:
  - a. How did advertising expense in the amount of \$990.47 provide a benefit to Green Taylor?
  - b. Contractual services of \$5,429.63 is split evenly between intake and treatment and transmission and distribution. How was this split determined? Provide a breakdown of this expense and how the services benefit Green Taylor.
  - c. List the purpose of each equipment rental and how the rental provided a benefit to Green Taylor.



- d. Provide a breakdown of repairs and maintenance expense of \$35,559.60 and how the expense benefited Green Taylor. Provide invoices or other justification for the \$6,000 known adjustment.
  
- e. Provide a list of "fees" paid for each employee by job title. Provide this list for travel and training also.
  
- f. Why would audit and accounting expense of \$1,592 not be fully allocated to customer costs?
  
  
  
  
  
  
  
  
  
  
- g. Is it Greensburg's opinion that Green Taylor should pay a portion of the rate study prepared by Bell Engineering? See known adjustment of \$3,020. If the rate produced as a result of this study is not accepted by the Kentucky Public Service Commission why should Green Taylor pay a part of the cost?
  
  
  
  
  
  
  
  
  
  
- h. Why would bank service fees not be fully allocated to customer costs?
  
  
  
  
  
  
  
  
  
  
- i. With regard to computer and software expense of \$1,619. Is this expense for billing and collecting software?
  
  
  
  
  
  
  
  
  
  
- j. Provide a breakdown of miscellaneous – various expenses.
  
  
  
  
  
  
  
  
  
  
- k. Rental expense is listed as \$9,000. What property is rented and does it benefit Green Taylor?





**Item 1**

Respondent: Willis Jackson

Question:

*Does the City have a breakdown of depreciation expense in more detail than that shown on Table 2, page 4, of the rate analysis? If so, please provide.*

Response:

Refer to the detailed table on the following page.

**RESPONSE TO QUESTION NO. 1**  
**DETAILED DEPRECIATION EXPENSE**  
**MUNICIPAL WATER SYSTEM**  
**GREENSBURG, KENTUCKY**  
**FISCAL YEAR ENDED 6/30/2008**

Column1	Asset Description	ACQ VALUE	Depr Method	Depr Date	Est. Life	6/30/2009 PERIOD	Prior Accum.	TOTAL	NET BOOK	CDBG Grant Funding	RD Grant Funding	Other Grant Funding
Water	Vehicles	\$ 28,000.00	SL	6/30/2006	5	\$ 5,600.00	\$ 16,800.00	\$ 22,400.00	\$ 5,600.00			
Water	Vehicles 100% AD @063008	\$ 65,030.00	SL	Various	5	-	\$ 65,030.00	\$ 65,030.00	\$ -			
Water	Buildings, Main, Security	\$ 71,731.00	SL	Various	25	-	\$ 71,731.00	\$ 71,731.00	\$ -			
Water	Water plant roof	\$ 6,000.00	SL	6/30/2007	10	\$ 600.00	\$ 1,200.00	\$ 1,800.00	\$ 4,200.00			
Water	Land	\$ 25,450.00	SL	Various	-	-	-	\$ -	\$ 25,450.00			
Water	Water equipment	\$ 1,866.00	SL	6/30/2003	7	\$ 267.00	\$ 1,599.00	\$ 1,866.00	\$ -			
Water	Telemetry equipment	\$ 100,000.00	SL	6/30/2007	7	\$ 14,286.00	\$ 28,571.00	\$ 42,857.00	\$ 57,143.00	50%	25%	
Water	Backhoe	\$ 24,450.00	SL	6/30/2003	7	\$ 3,493.00	\$ 20,957.00	\$ 24,450.00	\$ -			
Water	Computer	\$ 12,921.00	SL	6/30/2008	7	\$ 1,845.00	\$ 2,584.00	\$ 4,429.00	\$ 8,492.00			
Water	Equipment 100% AD 063008	\$ 235,689.00	SL	6/30/1980	7	-	\$ 235,689.00	\$ 235,689.00	\$ -			
Water	Water equipment	\$ 3,297.00	SL	12/31/2008	7	\$ 471.00	\$ -	\$ 471.00	\$ 2,826.00			25.36%
Water	Water Lines etc.	\$ 16,498.00	SL	6/30/1989	20	\$ 413.00	\$ 16,086.00	\$ 16,499.00	\$ (1.00)			
Water	Water Lines etc.	\$ 13,950.00	SL	6/30/1992	25	\$ 558.00	\$ 9,207.00	\$ 9,765.00	\$ 4,185.00			
Water	Water Lines etc.	\$ 26,782.00	SL	6/30/2001	25	\$ 1,071.00	\$ 8,570.00	\$ 9,641.00	\$ 17,141.00			
Water	Water Lines etc.	\$ 119,762.00	SL	6/30/2004	25	\$ 4,790.00	\$ 23,952.00	\$ 28,742.00	\$ 91,020.00			
Water	Water Lines etc.	\$ 130,789.00	SL	6/30/2006	25	\$ 5,232.00	\$ 15,694.00	\$ 20,926.00	\$ 109,863.00	50%	25%	
Water	Water Lines etc.	\$ 78,725.00	SL	6/30/2008	25	\$ 3,149.00	\$ 3,149.00	\$ 6,298.00	\$ 72,427.00	50%	25%	
Water	Water Lines etc.	\$ 15,712.00	SL	6/30/1997	25	\$ 628.00	\$ 7,541.00	\$ 8,169.00	\$ 7,543.00			
Water	Water System	\$ 7,000.00	SL	6/30/1986	25	\$ 280.00	\$ 5,600.00	\$ 5,880.00	\$ 1,120.00			25.36%
Water	Water System	\$ 1,110,839.00	SL	6/30/1989	25	\$ 44,434.00	\$ 873,986.00	\$ 918,420.00	\$ 192,419.00			
Water	Water System	\$ 118,915.00	SL	6/30/1991	25	\$ 4,757.00	\$ 83,293.00	\$ 88,050.00	\$ 30,865.00			
Water	Water System	\$ 5,895.00	SL	6/30/1992	25	\$ 236.00	\$ 3,891.00	\$ 4,127.00	\$ 1,768.00			
Water	Water Project-Northgate	\$ 45,036.00	SL	6/30/1994	15	\$ 3,002.00	\$ 41,021.00	\$ 44,023.00	\$ 1,013.00			
Water	Water Plant 100% A/D 063008	\$ 282,013.00	SL	Various	-	-	\$ 282,013.00	\$ 282,013.00	\$ -			
Water	Water Lines etc. 100% A/D 063	\$ 357,324.00	SL	Various	-	-	\$ 357,324.00	\$ 357,324.00	\$ -			
Water	Tanks 100% A/D 063008	\$ 284,127.00	SL	Various	-	-	\$ 284,127.00	\$ 284,127.00	\$ -			
Water	Brooks Tank	\$ 12,075.00	SL	12/31/2008	25	\$ 483.00	\$ -	\$ 483.00	\$ 11,592.00			
Water	Dwntwn Water Project RD	\$ 311,167.00	SL	12/31/2008	25	\$ 12,446.00	\$ -	\$ 12,446.00	\$ 298,721.00	50%	25%	
Water	Dwntwn Water Project CDBG	\$ 479,521.00	SL	12/31/2008	25	\$ 19,180.00	\$ -	\$ 19,180.00	\$ 460,341.00	50%	25%	
Water	Dwntwn Water Project KY	\$ 30,976.00	SL	12/31/2008	25	\$ 1,239.00	\$ -	\$ 1,239.00	\$ 29,737.00	50%	25%	
<b>TOTAL WATER</b>		\$ 4,021,540.00	<b>SL</b>			<b>\$ 128,460.00</b>	<b>\$ 2,459,615.00</b>	<b>\$ 2,588,075.00</b>	<b>\$ 1,433,465.00</b>			





**Item 2**

Respondent: Willis Jackson

*Question:*

*When does the City expect to close on the RD loan mentioned on Page 5 of the rate study?*

Response:

This loan was actually closed on September 17, 2009. Rural Development now reports that the loan was for \$450,000 and Grant was \$300,000. The first principal and Interest payment is due January 1, 2011 for (\$5,100 Prin. plus \$18,653 Int.) = \$23,753. We have included interest only in the rate study but this should obviously be adjusted.



1

### Item 3

Respondent: Willis Jackson

Question:

*Refer to Table 3 on Page 5 of the rate study. A debt coverage of .20 is set out as a coverage requirement. Are all funding sources used by Greensburg requiring a .20 coverage?*

Response:

No, the only loan requiring coverage above 1.0x is the RD indicated in Item 2. Generally, Rural Development likes to see principal and interest coverage of at least 1.20X on all debt service. However, based on a recent conversation with RD personnel, this is mandatory only for RD loans.

The KIA loan had a balance of \$384,583 for FY ending 6/30/2009. Coverage for this loan is only 1.0X with a maintenance fee of .025% on the outstanding balance. Originally the loan required a depreciation reserve, however it appears that the reserve has been fully funded.

The outstanding KLC lease does not appear to carry a coverage requirement above 1.0X.



#### Item 4

Respondent: Nancy J. Stearman, CPA

Question:

*With regard to debt service, a statement is made that “many new main water lines and “loop” lines within the City of Greensburg”. Which debt instruments were used to finance inside city lines? What percentage of the cost was for the replacement of aging infrastructure within the City?*

Response:

The “Bond Ordinance for the 1987 Water Revenue Bonds” indicates that \$739,000 in bonds were issued in connection with the Water System Improvements Project. See Attachment A

According to the “Specifications & Contract Documents” prepared by the engineering firm of Mayes, Sudderth & Etheredge, Inc. in June, 1987:

- The Water System Improvements Project consisted of expansion of water treatment plant from 500 gpm to 1000 gpm, construction of a 200,000 gallon elevated water storage tank, and construction of approximately 3 miles of water lines. See Attachment B.
- The contract documents indicate cost of the water line construction to be \$356,687.11 (31.7% of total project costs). See Attachment C.

BOND ORDINANCE

ORDINANCE OF THE CITY OF GREENSBURG, GREEN COUNTY, KENTUCKY, AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS, AND IMPROVEMENTS TO THE WATERWORKS PORTION OF THE COMBINED AND CONSOLIDATED WATERWORKS AND SEWER SYSTEM OF SAID CITY; AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF SEVEN HUNDRED THIRTY-NINE THOUSAND DOLLARS (\$739,000) PRINCIPAL AMOUNT OF CITY OF GREENSBURG WATER AND SEWER REVENUE BONDS OF 1987, FOR THE PURPOSE OF FINANCING THE COST, NOT OTHERWISE PROVIDED, OF THE AFORESAID CONSTRUCTION; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH SAID BONDS OF 1987 MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR SAID BONDS OF 1987 TO BE ISSUED AS SECOND LIEN BONDS SUBJECT TO THE VESTED RIGHTS AND PRIORITIES IN FAVOR OF CERTAIN OUTSTANDING REVENUE BONDS OF 1963; PROVIDING FOR THE RIGHTS OF THE OWNERS OF SAID BONDS OF 1987 AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS OF 1987.

WHEREAS, the City of Greensburg, a fifth class city of Green County, Kentucky, owns and operates the existing combined and consolidated municipal waterworks and sewer system (the "System") serving the City, pursuant to Sections 82.082 and 58.010 through 58.140 of the Kentucky Revised Statutes (the "Act"), and in that connection the City presently has outstanding \$93,000 of Bonds (\$86,000 after January 1, 1988), designated as City of Greensburg Waterworks and Sewerage System Revenue Bonds, Series 1963, dated January 1, 1963 (the "Prior Bonds"), scheduled to mature serially on January 1 in each of the respective years, 1988 through 1995, inclusive, and

WHEREAS, the Prior Bonds, by their terms, are payable from and secured by a first pledge of the revenues derived from the operation of the System, and

WHEREAS, it is the desire and intent of this City Council at this time to enact this Ordinance pursuant to the provisions of said Statutes, to authorize and provide for the issuance of revenue bonds (the "Current Bonds") in the principal amount of \$739,000, for the purpose of financing the cost (not otherwise provided) of a construction project consisting of extensions, additions, and improvements to the waterworks portion of said System, in accordance with plans and specifications prepared by Mayes, Sudderth & Etheredge, Inc., 624 Wellington Way, Lexington, Kentucky 40503, now on file in the office of the City Clerk of the City, and to prescribe the covenants of the City, the rights of bondowners, and the details of the issuance and sale of the proposed Current Bonds, and that such proposed Current Bonds be issued as second lien bonds, subject to the vested rights and priorities in favor of the owners of the outstanding Prior Bonds, under and pursuant to the provisions of the Act,

Attachment 1 B, 12

ADVERTISEMENT FOR BID  
CITY OF GREENSBURG  
CITY HALL  
GREENSBURG, KENTUCKY 42743

KYCDBG PROJECT NO. B-85-DC-21-0001(052)

Separate sealed bids for the construction of:

Contract 1 - Water Treatment Plant Expansion from 500 gpm to 1000 gpm

All Bids will be received by the Honorable Bill Taylor, Mayor at the Greensburg City Hall, Greensburg, Kentucky until 2:00 P.M. CDT, July 27, 1987 and then at office publicly opened and read aloud.

Greensburg City Hall, Greensburg, Kentucky 42743

Mayes, Sudderth & Etheredge, Inc., 624 Wellington Way, P. O. Box 24868, Lexington, Kentucky.

F. W. Dodge, 1 Paragon Centre, Suite 230, 2525 Harrodsburg Road, Lexington, Kentucky.

F. W. Dodge Corporation, Hurstbourne Forum, Two 303 N. Hurstbourne Lane, Suite 265, Louisville, KY 40222.

Associated General Contractors, 2331 Fortune Drive, Lexington, KY 40505.

Copies of the contract document may be obtained at the Office of Mayes, Sudderth & Etheredge, Inc., 624 Wellington Way, Lexington, Kentucky 40503, upon receipt of a non-refundable reproduction charge as follows:

Contract 1        \$90

The Owner reserves the right to waive any informalities or to reject any or all bids.

Each Bidder must deposit with his Bid, security in the amount, form and subject to the conditions provided in the information for bidders.

Attention of bidders is particularly called to the requirements as to conditions of employment to be observed and minimum wage rates to be paid under the contract, Section 3, Segregated Facility, Section 109 and E.O. 11246.

No Bidder may withdraw his bid for a period of ninety (90) days after the actual date of the opening thereof.

ADVERTISEMENT FOR BID  
CITY OF GREENSBURG  
CITY HALL  
GREENSBURG, KENTUCKY 42743

KYCDBG PROJECT NO. B-85-DC-21-0001(052)

Separate sealed bids for the construction of:

Contract 2 - Approximately 3 miles of 8" water line and accessories.

Contract 3 - A 200,000 gallon elevated water storage tank, foundation, site work and accessories.

All Bids will be received by the Honorable Bill Taylor, Mayor at the Greensburg City Hall, Greensburg, Kentucky until 2:00 P.M. CDT, JULY 27, 1987 and then at office publicly opened and read aloud.

Greensburg City Hall, Greensburg, Kentucky 42743

Mayes, Sudderth & Etheredge, Inc., 624 Wellington Way, P. O. Box 24868, Lexington, Kentucky.

F. W. Dodge, 1 Paragon Centre, Suite 230, 2525 Harrodsburg Road, Lexington, Kentucky.

F. W. Dodge Corporation, Hurstbourne Forum, Two 303 N. Hurstbourne Lane, Suite 265, Louisville, KY 40222.

Associated General Contractors, 2331 Fortune Drive, Lexington, KY 40505.

Copies of the contract document may be obtained at the Office of Mayes, Sudderth & Etheredge, Inc., 624 Wellington Way, Lexington, Kentucky 40503, upon receipt of a non-refundable reproduction charge as follows:

Contract 2	\$90	Contracts 2 & 3	\$160
Contract 3	\$90		

The Owner reserves the right to waive any informalities or to reject any or all bids.

Each Bidder must deposit with his Bid, security in the amount, form and subject to the conditions provided in the information for bidders.

Attention of bidders is particularly called to the requirements as to conditions of employment to be observed and minimum wage rates to be paid under the contract, Section 3, Segregated Facility, Section 109 and E.O. 11246.

No Bidder may withdraw his bid for a period of ninety (90) days after the actual date of the opening thereof.



FmHA Instruction 1942-A  
(Guide 19)

AGREEMENT

THIS AGREEMENT, made this 22nd day of October, 1981,  
and between City of Greensburg, hereinafter called "OWNER"  
(name of Owner), (an Individual)  
and DAR, Inc. doing business as (an individual,  
or (a partnership,) or (a corporation) hereinafter called "CONTRACTOR".

WITNESSETH: That for and in consideration of the payments and agreements herein after mentioned:

1. The CONTRACTOR will commence and complete the construction of Contract 2- WaterDistribution Improvements
2. The CONTRACTOR will furnish all of the materials, supplies, tools, equipment, labor, and other services necessary for the construction and completion of the PROJECT described herein.
3. The CONTRACTOR will commence the work required by the CONTRACT DOCUMENTS within 10 calendar days after the date of the NOTICE TO PROCEED and will complete the same within 180 calendar days unless the period for completion is extended otherwise by the CONTRACT DOCUMENTS.
4. The CONTRACTOR agrees to perform all of the WORK described in the CONTRACT DOCUMENTS and comply with the terms therein for the sum of \$ 356,687.11 or as shown in the BID schedule.
5. The term "CONTRACT DOCUMENTS" MEANS and includes the following:

~~5a(2/2)~~

KENTUCKY INFRASTRUCTURE AUTHORITY  
ASSISTANCE AGREEMENT  
(FmHa LOAN ACQUISITION PROGRAM)

PRINCIPAL AMOUNT OF LOAN: \$ 542,486.45  
PROJECT NUMBER: C89-20  
SERIES FINANCING:  
BORROWER: City of Greensburg  
BORROWER'S ADDRESS: 105 W. Hodgenville Avenue  
Greensburg, KY 42743  
DATE OF ASSISTANCE AGREEMENT: April 11, 1989  
TERMINATION DATE:

FmHA PROJECT NO. Case No.: 20-44-616001832  
Fund Code Loan No.: 91-01

## DESCRIPTION OF FINANCED FACILITIES

1. new equipment and facilities at the water treatment plant changing the discharge service pumping capacity from 500 gallons per minute to 1,000 gallons per minute;
2. new pumps at the water source intake doubling the pumping capacity for water intake;
3. a new 200,00 gallon water storage tank;
4. many new main water lines and "loop" lines within the City of Greensburg.

Kentucky Infrastructure Authority  
FmHA Community Program  
Discount Purchase Program  
Savings Analysis For:

\$739,000 CITY OF GREENSBURG [K07]

I. Current Loan

A. Maturity	01/01/2027
B. Principal Outstanding	739,000
C. Interest Rate	5.000%
D. Total Remaining Debt Service	1,699,050.00
E. Average Annual Debt Service	44,613.80
F. Discount Factor (Tax-Exempt)	0.63536
G. Prepayment Price	469,531.04
H. Accrued Interest	12,316.67

II. Kentucky Infrastructure Loan

A. New Principal Amount	547,000.00
1. Prepayment Price	469,531.04
2. Accrued	12,316.67
3. Reserve Fund	54,700.00
4. Discount & Expenses	10,452.29
B. New Final Maturity	07/01/2017
C. Average Interest Rate	8.06577%
D. Total Debt Service	1,247,477.13
E. Average Annual Debt Service	44,288.59
F. Total Debt Service Savings	451,572.87

III. Comparative Analysis: Old Debt Versus New Debt

A. Principal Amount	
1. Reduction of Principal	192,000.00
2. Percentage Reduction	25.98106%
B. Total Debt Service	
1. Reduction in Amount	451,572.87
2. Percentage Reduction	26.57796%

EXHIBIT  
# B

## **WILLIS JACKSON - MSE Contract 2 1987**

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**From:** Kyle Crager  
**To:** WILLIS JACKSON; mayor@greensburgonline.com  
**Date:** 5/5/2010 11:27 AM  
**Subject:** MSE Contract 2 1987

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Water Line construction was as follows for the project.

Total Construction approximately 15,600 LF of new lines. The plans we have are design plans not as-builts so I can't verify lengths

Service loops - 500 Lf or 3.21 %

Distribution loops with no service in contract - 2200 LF or 14.10%

Strictly Transmission lines to Brooks tank and hospital hill tanks - 12,900 LF or 82.69%

Kyle T. Crager, E.I.T.  
Bell Engineering  
354 Waller Ave  
Lexington, KY  
(859) 278-5412  
(606)-782-2132 Cingular



## Item 5

Respondent: Nancy J. Stearman, CPA

The City has analyzed the source documents (invoices, bank statements, etc.) for the disbursements expensed in the below referenced accounts. Attachment D has been prepared to describe each disbursement, identify the payee and describe how the expense was allocated in Table 1 of the Wholesale Rate Study.

On April 21, 2010, the City filed a written response to the Public Service Commission's second data request. Those responses have been referenced by their item number.

Question:

*Refer to Table 1, Page 3 of the study:*

*a. How did advertising expense of \$990.47 provide a benefit to Green Taylor?*

Response:

Please see Item 2(a) of the City's response to the PSC's second data request. The disbursements pertain to a water project benefitting both wholesale and City customers.

*b. Contractual services of \$5,429.63 are split evenly between intake/treatment and transmission/distribution. How was this split determined? Provide a breakdown of this expense and how the services benefit Green-Taylor.*

Response:

See Attachment D for the requested breakdown and for the applicability to the wholesale customer. The costs were allocated evenly when the intake/treatment and transmission/distribution activities were affected by the expenditure.



**Transaction Detail By Account**

July 2008 through June 2009

Date	Vendor Name	Description	Applicability to Wholesale Customer	Amount	Allocation Schedule	Treatment	Distribution	Customer Care
<b>Contractual Services</b>								
09/05/2008 18246	Bertram, Cox, & Miller, LLP	Monarch Engineering Lawsuit	Waterline renovation project affecting City and wholesale customers	487.50		243.75	243.75	0.00
11/11/2008 18298	Bertram, Cox, & Miller, LLP	Monarch Engineering Lawsuit	Waterline renovation project affecting City and wholesale customers	237.50		118.75	118.75	0.00
03/02/2009 18385	Bertram, Cox, & Miller, LLP	Monarch Engineering Lawsuit	Waterline renovation project affecting City and wholesale customers	175.00		87.50	87.50	0.00
04/30/2009 18445	Bertram, Cox, & Miller, LLP	Monarch Engineering Lawsuit	Waterline renovation project affecting City and wholesale customers	508.00		254.00	254.00	0.00
06/08/2009 18467	Bertram, Cox, & Miller, LLP	Monarch Engineering Lawsuit	Waterline renovation project affecting City and wholesale customers	100.00		50.00	50.00	0.00
04/09/2009 18422	H&R Jetting & Camera Service, LLC	Jet and Drain line for Blakemans to determine cause & liability for r&m	Waterline work	225.00		112.50	112.50	0.00
08/27/2008 18234	Law Office of Douglas W. Gott	Monarch Engineering Lawsuit mediation requirements per Judge for Monarch case	Waterline renovation project affecting City and wholesale customers	802.50		401.25	401.25	0.00
03/02/2009 18380	Mattingly Mediation, Inc.	OMW legal fees	Waterline renovation project affecting City and wholesale customers	284.00		142.00	142.00	0.00
09/25/2008 18255	Revolving Fund	OMW copier lease	Copier, fax, scanner supports all water operations	338.81		169.41	169.41	0.00
11/18/2008 18302	Revolving Fund	OMW FYE 08 Audit	Annual financial audit required by KRS	253.88		126.94	126.94	0.00
11/18/2008 18303	Revolving Fund	OMW FYE 08 Audit	Copier, fax, scanner supports all water operations	720.00		360.00	360.00	0.00
11/24/2008 18312	Revolving Fund	OMW maintenance of copier	Annual financial audit required by KRS	247.44		123.72	123.72	0.00
12/10/2008 18322	Revolving Fund	OMW Audit FYE'08	Annual financial audit required by KRS	1,050.00		525.00	525.00	0.00
<b>Total Contractual Services</b>					<b>Specific Identification</b>	<b>2,714.82</b>	<b>2,714.82</b>	<b>0.00</b>

- c. *List the purpose of each equipment rental and how the rental provided a benefit to Green Taylor.*

Response:

Please see Item 4 of the City's response to the PSC's second data request, regarding services provided by the vendor "Hunt Tractor" in the amount of \$5,831.10.

- d. *Provide a breakdown of repairs and maintenance expenses of \$35,559.60 and how the expense benefitted Green Taylor. Provide invoices or other justification for the \$6,000 known adjustment.*

Response:

See Attachment D for the requested breakdown of repair and maintenance expenses totaling \$35,559.60. The disbursements appear to be operating expenditures necessary to maintain the system for the benefit of all customers.

Regarding the \$6,000 known adjustment, please see Item 3 of the City's response to the PSC's second data request.

## O&amp;M Fund

ITEM 5(d)

## Transactions by Account

As of June 30, 2009

Date	Num	Name	Memo	Debit	Credit	Balance	Allocation Schedule	Treatment	Distribution	Customer Care
08/27/2008	18235	E-town Electric Service	replaced motor and neck seal	337.50		14,169.39			337.50	
08/27/2008	19241	Revolving Fund	OMW R&M	48.15		25,942.75			48.15	
09/25/2008	18255	Revolving Fund	OMW R&M equip and R&M Veh OMW	937.44		27,117.64			937.44	
10/09/2008	18259	Revolving Fund	OMW R&M equip	237.45		26,180.20		168.07	69.38	
10/15/2008	18273	Construction Site Services West KY	OMW Stock & R&M supplies	8,139.90		4,960.73		8,139.90		
10/15/2008	18264	Nally & Haydon Surfacing, LLC	Goff Water project and Texas Street break	1,687.94		22,508.88			1,687.94	
10/15/2008	18265	Revolving Fund	OMW supplies and R&M veh	298.88		27,416.52			298.88	
10/23/2008	18282	Chlorination Co., inc.	OMW regulator gasket and boring set & other supplies	899.40		(7,554.25)		899.40		
10/28/2008	18286	Revolving Fund	OMW fuel	512.20		27,928.72			512.20	
10/30/2008	18292	Green River Automotive	R&M OMW veh	500.00		19,503.34			500.00	
11/18/2008	18302	Revolving Fund	OMW fuel	500.32		28,429.04			500.32	
11/19/2008	18305	Construction Site Services West KY	OMW Stock & R&M supplies	1,175.02		6,135.75			1,175.02	
11/19/2008	18310	Green River Automotive	R&M OMW veh(inv date 9-11)	33.00		19,536.34			33.00	
11/24/2008	18312	Revolving Fund	OMW R&M John Deere and OMW R&M supplies	29.54		28,458.58			29.54	
12/15/2008	18333	Algas	Inv # 111381142 OMW R&M	31.62		31.62			31.62	
12/15/2008	18317	E-town Electric Service	Inv #45627 OMW R&M	604.19		14,773.58			604.19	
12/15/2008	18325	E I C Systems, Inc.	Inv # 1124081 OMW R&M	392.62		19,003.34		392.62		
12/15/2008	18334	Neptune Chemicals Pump Co.	Inv # 1262527 OMW R&M	860.10		23,368.98			860.10	
12/29/2008	18349	Central Parts Warehouse	Inv # 112182A OMW R&M	304.69		(9,293.65)			304.69	
12/29/2008	18347	E-town Electric Service	Inv #45835 OMW R&M	430.42		15,204.00			430.42	
12/29/2008	18343	Reynolds, Inc.	Labor, equipment and material to pull raw water pump # 1, repair, reinstall & return to service	6,828.00		35,559.60		6,828.00		
03/02/2009	18388	Chlorination Co., inc.	OMW tubing connector, exhaust fan, installed new chlorine equip	1,078.12		(6,476.13)		1,078.12		
03/02/2009	18396	Construction Site Services West KY	OMW R&M supplies for breaks	2,214.99		8,350.74			2,214.99	
03/02/2009	18379	Huntington National Bank	Lease invoice # 43	1,017.09		20,553.43			1,017.09	
03/25/2009	18400	Revolving Fund	OMW equip	47.35		28,505.93			47.35	
04/09/2009	18430	IMI	OMW R&M supplies for breaks	267.51		20,820.94			267.51	
04/09/2009	18427	Neptune Chemicals Pump Co.	1267809	2,525.62		25,894.60		2,525.62		
04/21/2009	18440	Construction Site Services West KY	OMW R&M supplies for breaks	1,772.24		13,831.89			1,772.24	
04/29/2009	18442	E-town Electric Service	46513 R&M	3,406.72		18,610.72			3,406.72	
04/30/2009	18446	Construction Site Services West KY	OMW R&M supplies for breaks	1,781.00		10,131.74			1,781.00	
04/30/2009	18443	Revolving Fund	OMW R&M supplies and OMW R&M lines	225.67		28,731.60			225.67	
06/09/2009	18477	Construction Site Services West KY	OMW R&M supplies for breaks(16679/15364/15360/16416)	1,927.91		12,059.65			1,927.91	
06/30/2009	n/a	Book A/E 13 (for audit)	Reverse FYE 06/30/08 Unentered Liabilities Testing		8,000.00	(7,968.38)			(8,000.00)	
06/30/2009	n/a	Book A/E 14 (for audit)	Unentered Liabilities Testing at 063009	1,667.00		(6,301.38)			1,667.00	
06/30/2009	18547	Chad Compton	Bores for 3/4" Service Tubing	840.00		(8,453.65)			840.00	
Total Repairs & Maintenance				43,559.60	8,000.00	35,559.60	Specific Identification	20,031.73	15,527.87	0.00

- e. *Provide a list of fees paid for each employee by job title. Provide this list for travel and training also.*

Response:

See Attachment D for the requested breakdown of the following fee expenses totaling \$4508.93:

- The fee expenses include \$328.16 for health insurance administrative fees.

Please see Item 3 of the City's response to the PSC's second data request, regarding Personnel Benefits paid to the Ky. State Treasurer for Health Insurance. The City is assessed a \$4 administrative fee per covered employee, as detailed in Exhibit 2, page 6 of 9. The portion of these fees allocated to the water operations totaled \$328.16 for the test period.

- Fees on Downtown Water Improvement project for \$2000.31.

Rather than allocating these fees on the basis of employees, they could be charged 100% to distribution, due to the nature of the project.

- Bank Fees to US Bank for \$1,401.29

These fees are associated with a 2006 \$100,000. note payable to US Bank for waterlines. Rather than allocating these fees on the basis of employees, they could be charged 100% to distribution, due to the nature of the project.

- Loan fees to KIA for \$779.17.

These fees are associated with the water bond payable to KIA. Because the fees have been included in the Debt Service allocations on Table 3, page 5 of the wholesale rate study, they should be eliminated from fee expenses to avoid duplication.

Please see Item 2(h) of the City's response to the PSC's second data request for the requested breakdown of travel and training expenses.

**Transaction Detail By Account**

July 2008 through June 2009

Date	Num	Name	Memo	Amount	Allocation Schedule	Treatment	Distribution	Customer Care
<b>Fees</b>								
10/15/2008	18265	Revolving Fund	Health Insurance Admin Fees	36.16				
02/03/2009	18366	Ky. State Treasurer	Health Insurance Admin Fees	60.00				
04/06/2009	18415	Ky. State Treasurer	Health Insurance Admin Fees	118.00				
05/14/2009	18461	Ky. State Treasurer	Health Insurance Admin Fees	114.00				
06/30/2009	n/a	Book A-JE 18 (for audit)	Bank fees to US Bank	1,401.29				
06/30/2009	n/a	Book A-JE 19 (for audit)	Loan fees to KIA	779.17				
06/30/2009	n/a	Book A-JE 24	Fees on Downtown Water Project	2,000.31				
					<b>Number of</b>			
					Employees	2,236.01	1,582.08	690.84
<b>Total Fees</b>								

*f. Why would accounting and auditing expense of \$1,592 not be fully allocated to customer costs?*

Response:

Accounting and auditing activities deal with transactions across the entire system. Accounting activities include purchasing, accounts payable, payroll, as well as grant processing activities, in support of both the treatment and distribution functions.

Auditing activities are required under the KRS and affect the same activities referred to above. The auditing function also includes monitoring compliance with rules and regulations, to include debt covenants on water revenue bonds related to both the treatment and distribution functions.

- g. Is it Greensburg's opinion that Green Taylor should pay a portion of the rate study prepared by Bell Engineering? See known adjustment of \$3,020. If the rate produced as a result of this study is not accepted by the Public Service Commission why should Green Taylor pay a part of the cost?*

Respondent: Willis Jackson

Response:

1. Greensburg proposed a reasonable wholesale rate on a comparative basis with other municipalities which was rejected by Green Taylor Water District. This set in motion certain PSC requirements and one among them was a wholesale rate study. Green Taylor Water District indirectly initiated the wholesale rate study and the proceedings that have occurred to date.
2. The wholesale rate study has set the foundation for the PSC Case to this point. Nearly all questions refer to the rate study.
3. The wholesale rate study and the rate developed therein are based on costs with no profit included. If Greensburg is asked to absorb any part of the cost of the study or rate case, it will place a burden on the residents of Greensburg not of their making.
4. These on-going questions and the potential PSC hearing will result in additional charges which have not been included in the know adjustments and will likely be the burden of the citizens of Greensburg.
5. It appears that PSC orders frequently reject the initial rate case filing as a way of opening the door to make adjustments. This does not mean that a study has no value. Again a study of this nature lays the foundation for the PSC to determine the wholesale water rate or for a rate to be negotiated between the buyer and seller.



*h. Why would bank service fees not be fully allocated to customer costs?*

Response:

Bank service fees are operating expenses. They are bank account charges for checks written by the City.

- i. *With regard to computer and software expense of \$1,619, is this expense for billing and collecting software?*

Response:

See Attachment D for the requested breakdown of computer and software expense.

- \$268.62 is an expense for the network server and is allocated across the functions.
- The remaining expenses were paid for utility billing software provided by United Systems. Data from this software is used for:
  1. customer billing and collection,
  2. tracking water consumption for the water treatment plant,
  3. gathering water consumption data for statistical purposes,
  4. assessing excess water usage for distribution purposes
  5. funding debt reserves required by bond covenants,
  6. funding the liability for customer meter deposits.

**Transaction Detail By Account**

July 2008 through June 2009

Date	Num	Name	Memo	Allocation				
				Amount	Schedule	Treatment	Distribution	Customer Care
10/15/2008	18265	Revolving Fund	OMW annual software support fee	1,261.40				
12/23/2008	18342	Revolving Fund	OMW Back-up drive for Server	268.62				
03/25/2009	18400	Revolving Fund	OMW software	89.10				
<b>Total Computer/Software</b>				<b>1,619.12</b>	<b>Overall Ratio</b>	<b>985.92</b>	<b>478.94</b>	<b>144.10</b>

j. *Provide a breakdown of miscellaneous-various expenses.*

Response:

Please see Item 2(f) of the City's response to the PSC's second data request.

- k. *Rental expenses are listed as \$9,000. What property is rented and does it benefit Green Taylor?*

Response:

Please see Item 2(g) of the City's response to the PSC's second data request for a detail of the rental expenses.

Rental fees are paid for the use of City Hall to conduct Water and Sewer administrative operations. The City Clerk, Deputy Clerk and Utility Clerks perform their duties in this space. The costs might have been more appropriately allocated based on Wages/Salary, rather than on the overall ratio employed on Table 1 of the Wholesale Rate Study, but we believe the effects of this change would be immaterial

- I. With regard to personnel wages and benefits, why should salaries and wages for the city clerk, deputy clerk and water and sewer clerk be included in the allocation of costs of providing service to Green Taylor?*

Response:

See Item 6 of the City's response to the PSC's second data request for a detail of the personnel expenses.

Item 6 also includes employee job descriptions. The job descriptions provide a detail of the work performed by the personnel in question, in support of the treatment and distribution functions.

Please note that only a small percentage of the employees' compensation has been allocated to the treatment and distribution functions, as shown in Appendix A, page 1 of the Wholesale Rate Study:

- Allocated to treatment:
  - 15% of City Clerk
  - 5% of Deputy Clerk
  - 4% of Water and Sewer Clerk
- Allocated to distribution:
  - 15% of City Clerk
  - 5% of Deputy Clerk
  - 4% of Water and Sewer Clerk

*m. What is the basis of the \$11,934 increase in chemical costs?*

Response:

Please see Item 3 of the City's response to the PSC's second data request.

*n. What is the basis for the increase of \$6,434 in electrical expense?*

Response:

Please see Item 3 of the City's response to the PSC's second data request.





## Item 6

Respondent: Willis Jackson

*Question:*

*With regard to sludge removal, provide a copy of all amortization schedules relating to debt at the sewer treatment plant. What was the purpose of each debt and how does it benefit Green Taylor?*

Response:

An amortization schedule for the sewer system is provided on the following page.

The revenue bond issue of 1992 financed improvements needed to treat water treatment plant sludge. The bond issue was originally 1,852,000 and now has an outstanding balance of \$1,482,000. Of the total project construction (\$2,388,333), it was determined by Exhibit 3- Appendix B of the Wholesale Rate Study that 22.91% pertained to sewer system sludge pumping and treatment. From Exhibit 1- Appendix B, 64.2% of that portion pertains to the WTP sludge. This is the solids component of the sludge.

The balance of the 1992 debt service (100% - 22.91%) = 77.09% pertains to wastewater pumping and treatment and 11.7% of that amount pertains to WTP sludge. This is the water component of the sludge.

The two components listed above give a cost of \$31,350 for debt service including coverage. The total estimated cost of treating sludge from the WTP was \$57,610.

**AMORTIZATION SCHEDULE - OUTSTANDING LONG TERM DEBT**  
**GREENSBURG SEWER UTILITIES**  
**GREENSBURG, KENTUCKY**

**Principal and Interest Payable:**

<u>Year</u>	<u>Revenue Bonds</u> <u>Series of 1992</u>
2004	\$109,800
2005	\$109,400
2006	\$109,950
2007	\$109,400
2008	\$109,800
2009	<b>\$110,100</b>
2010	\$109,300
2011	\$110,450
2012	\$109,450
2013	\$110,400
2014	\$109,200
2015	\$109,950
2016	\$109,550
2017	\$110,050
2018	\$109,400
2019	\$109,650
2020	\$109,750
2021	\$109,700
2022	\$109,500
2023	\$110,150
2024	\$109,600
2025	\$109,900
2026	\$110,000
2027	\$109,900
2028	\$110,600