

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER)
DISTRICT NO. 1 TO ADJUST ITS RATES FOR) CASE NO. 2013-00050
SEWER SERVICE)

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

Hardin County Water District No. 1 ("Hardin District") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and eight copies of the following information, with a copy to all parties of record, no later than August 9, 2013. Responses to requests for information 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, and belief formed after a reasonable inquiry.

Hardin District shall make timely amendment to any prior response 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. For any request to which Hardin District fails or refuses to furnish all or part of the requested information, Hardin

District 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 its legibility. 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 utility operations and jurisdictional operations.

1. Provide the minutes of the meeting of Hardin County Fiscal Court in which that body approved the current salary level for members Hardin District's Board of Commissioners.

2. Provide:

a. A copy of the executed assistance agreement between the City of Radcliff and the Kentucky Infrastructure Authority ("KIA") for KIA Loan No. A97-03.

b. A copy of the executed assumption agreement between Hardin District and KIA for KIA Loan No. A97-03.

c. A current amortization schedule that covers the life of KIA Loan No. A97-03 and details the payment amounts, principal retirements, interest payments, interest rates, and outstanding balances.

3. Refer to Application, Exhibit 3, Wastewater Rate and Cost of Service Study, Appendix E. Provide all work papers, show all calculations, and state all assumptions that Hardin District used to develop its pro forma test-period financial information. For all work papers and calculations that exist in an electronic spreadsheet format, provide on an electronic storage medium an electronic copy that is capable of being read and manipulated using Microsoft Excel.

4. Refer to Application at 160. Appendix E, Schedule 1 reports test-period depreciation expense as \$981,121. The Depreciation Expense Report for the Radcliff wastewater operation, however, lists depreciation expense as of December 31, 2012 of \$903,181 and the allocated depreciation for the common assets as \$68,929 for an annual total of \$972,110.¹ Explain the disagreement between depreciation expense levels set forth in the Depreciation Expense Report and the revenue requirement statement.

5. Refer to Application at 171. Explain in detail the entry "Deduction of Depreciation," which is reported as \$8,185.

6. a. Provide a schedule that lists each test-period expenditure related to the preparation of Hardin District's application for rate adjustment and describes the nature of expenditure and states its amount.

b. Provide for each expenditure listed in response to Item 6(a) the corresponding vendor invoice. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate. Identify the account number and title to which each amount was charged.

c. State the expected total cost to prosecute this case to completion. The projected amount should be detailed by type of service and vendor with supporting documentation for each.

d. Provide a monthly update of the schedule requested in Item 6(a) that shows total costs incurred as of that date and that includes the supporting detailed vendor invoices as requested in Item 6(b).

¹ Application at 156-158.

7. Refer to Application at 190. For each capital project listed on Schedule 18, provide a description of the asset being constructed or installed, its projected in-service date, and the basis for its proposed service life.

8. Refer to Application at 181 – 186 and 470.

a. For each employee whose salary is allocated to Radcliff wastewater operations:

(1) State the level of wage increase in percentage and dollar amount that Hardin District granted in each of calendar years 2011, 2012, and 2013.

(2) Provide the minutes of each meeting of Hardin District's Board of Commissioners in which each wage increase was discussed and approved.

b. Hardin District's capitalization rates vary by employee classification. State the basis for each capitalization rate and provide all work papers, show all calculations, and state all assumptions used to develop each rate.

c. Hardin District uses different allocation factors for each employee classification to allocate the employee's salary to its Radcliff wastewater operations. State the basis for each allocation factor and provide all work papers, show all calculations, and state all assumptions used to develop each factor.

d. At page 185 of its Application, Hardin District lists ten separate employees with the position title "Distribution Operator." Six of the positions are identified as "Distribution Operator – I or II." Explain why the designation "I or II" is used in the position title.

9. Refer to Application at 189. Provide vendor invoices to support the estimated premiums for insurance services. State the basis for each allocation factor

used to allocate the premiums to Radcliff wastewater operation and provide all work papers, show all calculations, and state all assumptions used to develop each factor.

10. Refer to the Application at 191; Pre-Filed Testimony, Question 12.

a. At page 191 of the Application, Hardin District states than an adjustment of \$79,391 to test-period contractual service expense results from the capitalization of "a portion of the Veolia contract." In the written testimony submitted with the Application, Bart Kreps states: "The most recent negotiation between Hardin District and Veolia increased the total annual cost for services by \$79,391. This includes estimated overages which are allowed per the contract and included in the Radcliff Utility 2013 Operating Budget." Explain the discrepancy and state which rationale reflects Hardin District's position.

b. The total annual costs of Veolia's services have increased by \$79,391. Provide a breakdown of the increase between annual costs and estimated overages.

c. Describe how Hardin District estimated contract overages for 2013. Provide all work papers, show all calculations, and state all assumptions used to develop the estimate.

d. Explain how a pro forma adjustment to reflect estimated cost increases is "known and measurable."

11. Refer to the Application at 192.

a. Provide a copy of the "contract operating agreement between HCWD1 and the Fort Knox Water system" or, if previously filed with the Commission, state the case number of the proceeding in which Hardin District filed the agreement and the date on which it filed the agreement.

b. Describe how the “contract operating agreement between HCWD1 and the Fort Knox Water system” affects the “general and administrative costs” allocated to the Radcliff operations.

12. a. Describe how the rates developed in the Wastewater Rate and Cost of Service Study affect the rate for sewer service that Hardin District assesses the city of Muldraugh.

b. Describe how Hardin District developed the rate for sewer service that it assesses to the city of Muldraugh.

13. a. Explain why the billing analysis contained in the Wastewater Rate and Cost of Service Study is based upon average customer usage and average revenue.

b. State whether Hardin District has usage information for each customer for the test period. If it has such information, explain why this information was not used to develop a billing analysis.

c. State whether Hardin District’s billing and automated data processing systems have are able to generate an analysis of individual customer bills and usage for the test period.

14. Using the information set forth in Appendix E of Exhibit 3 of the Application, Commission Staff calculated test year revenues from current rates for the calculated revenue from minimum charge to be \$1,782,160.49; revenue from volume charge for average use to be \$1,630,152.03; and total revenue to be \$3,412,312.52. Hardin District calculated total calculated revenue to be \$3,371,082.00. State whether after reviewing its original calculations, Hardin District continues to report total calculated revenue to as \$3,371,082.00.

15. Tariff sheets that Hardin District filed with the Commission on July 16, 2013 indicate that Hardin District's proposed sewer service rates will apply to Hardin District's entire service area. Hardin District's currently effective tariff sheets indicate three distinct service areas with differing rates.

a. State whether the proposed rates are intended to apply to all of Hardin District's territory.

b. State whether the proposed rates are intended to apply to the city of Muldraugh and the Fort Knox military installation.

c. State whether Hardin District disagrees that the proposed rates should apply only to the Radcliff area.

16. a. Provide a schedule showing Hardin District's annual costs resulting from its operations and maintenance contract with Veolia Water North America-South, LLC allocated by major function for the calendar years 2009 through 2013.

b. List the provisions of Hardin District's operations and maintenance contract with Veolia Water North America-South, LLC that permit Hardin District to dispute cost overages.

c. Describe the process that Hardin District must follow to resolve any dispute over cost overages.

17. List each of Hardin District's non-regulated utility and business activities. For each activity, describe the Hardin District accounting policies and procedures that ensure that regulated rates do not subsidize the activity.

18. a. Provide a test-period general ledger showing account number, subaccount number, account title, subaccount title, and all entries to each account. For each entry state the date paid, vendor name, check number used to make payment,

and the amount. The general ledger shall include all asset, liability, capital, income, and expense accounts used by Hardin District. All accounts should show activity for 12 months. Show the balance in each control and all underlying subaccounts per utility books.

b. Provide on an electronic storage medium in Microsoft Excel format the test-period general ledger.

19. a. For each cash account that Hardin District used during the test period, provide a cash disbursements ledger that lists all checks in chronological order and details the date paid, check number, vendor, and amount.

b. Provide on an electronic storage medium in Microsoft Excel format the test-period cash disbursements ledger.

20. Provide a copy of all audit adjustments made for the test-period financial statements.

21. a. For each Hardin District employee whose salary is allocated to Radcliff wastewater operations during the test period, provide:

- (1) Name.
- (2) Title.
- (3) Length of employment with Water Service Corporation.
- (4) Job duties.
- (5) Test-period pay rate and current pay rate.
- (6) Test-period regular time worked and overtime worked.
- (7) Percentage of test-period payroll capitalized.
- (8) Total test-period payroll expensed and capitalized.

(9) Type of employee benefits (e.g., health insurance, dental insurance, vision insurance, pension) and Hardin District's contribution.

b. Provide on an electronic storage medium in Microsoft Excel format the information requested in Item 21(a).

c. Provide all work papers, show all calculations, and state all assumptions used to develop the percentage of test-period payroll capitalized.

22. a. Identify all employees listed in the response to Item 21(a) who are no longer Hardin District employees.

b. For each employee identified in the response to Item 22(a):

(1) If the employee's position has been filled, identify the employee currently in the position and state the date on which the replacement employee(s) was hired, his or her actual annualized salary and actual benefit information, and the salary and employee benefit costs that are included in Hardin District's pro forma operating expenses.

(2) If the position is currently vacant, state:

(a) The reason(s) why the position is vacant.

(b) The current status of Hardin District's efforts to fill the position and the anticipated hire date.

(c) Whether the cost of the position is included in the pro forma salaries and wage expense.

(d) If the cost of the position is included in the pro forma salaries and wage expense, the position costs that are included in the test-period operating expenses (e.g., payroll expenses, payroll capitalized, retirement, payroll taxes, insurance benefits) and the accounts to which each amount was charged.

23. a. Provide the employer retirement contribution rate(s) effective during calendar years 2010, 2011, and 2012 and the date each rate became effective.

b. (1) State whether the Kentucky Retirement System has notified Hardin District of the employer retirement contribution rate that will be charged in the fiscal year beginning July 1, 2013.

(2) If Hardin District has been notified, provide a copy of the notice from the Kentucky Retirement System.

(3) If Hardin District has not been notified, provide a copy of the notice from the Kentucky Retirement System when it is received.

24. a. List each fringe benefit available to Hardin District employees and the actual test-period cost of each benefit and the pro forma cost. Provide comparative cost information for calendar years 2012 and 2013.

b. Identify each fringe benefit listed in the response to Item 24(a) that is limited to management or full-time employees.

c. Describe each change in fringe benefits that has occurred since January 1, 2011 and state the reason for the change.

25. Provide the most recent vendor invoice for each of the following employee insurance coverages:

- a. Health Insurance;
- b. Dental Insurance; and
- c. Life Insurance.

If an invoice does not list employees individually by name and state the type of coverage or if it identifies employees by a code number or other identifier, provide the name of each employee and the type of coverage provided to him or her.

26. Provide a completed and executed Statement of Disclosure of Related Party Transactions Form for each member of Hardin District's Board of Commissioners and its General Manager. A copy of this form is attached to this Request.

27. Provide on an electronic storage medium in Microsoft Excel format an electronic version of the cost-of-service study filed with Hardin District's application. All formulas contained in this version should be self-contained and without any linked references to or macro commands involving external files.

28. State whether Hardin District has an asset management plan for its sewer operations. If Hardin District has such plan, provide a copy.

29. a. Identify the electric utilities that serve Hardin District's wastewater facilities.

b. Provide the monthly bills that were rendered to Hardin District during the test period for electric service to its Radcliff wastewater facilities.

c. State the rate schedule(s) under which the electric utilities provide electric service to Hardin District's Radcliff wastewater facilities. If service is provided under more than one rate schedule, list for each rate schedule the facilities that are served under that rate schedule.

30. List and describe all actions that Hardin District has taken and the programs that it has implemented since its acquisition of the Radcliff wastewater facilities to minimize purchased-power expenses and improve energy efficiency.

31. Describe the effects on Hardin District's sewer operations, if any, that Hardin District expects to result from the recent Department of the Army decision to reduce the number of active duty military personnel stationed at the Fort Knox Military Installation.

32. Provide the minutes of all meetings of Hardin District's Board of Commissioners in which the option of entering an operations and maintenance contract with Veolia Water North America-South, LLC for the Radcliff wastewater operations was discussed.

33. Provide all internal memoranda, correspondence, electronic mail messages and other documents in which Hardin District officials analyzed, reviewed, or discussed entering an operations and maintenance contract with Veolia Water North America-South, LLC for the Radcliff wastewater operations was discussed.

34. List and describe all actions that Hardin District has taken and the programs that it has implemented since its acquisition of the Radcliff wastewater facilities to improve the quality of service, increase operating efficiencies, and minimize or reduce operating expenses.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

DATED: JUL 26 2013

cc: Parties of Record

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between _____ ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

Check this box if the Utility has no related party transactions.

Check box if additional transactions are listed on the supplemental page.

(Print Name)

(Signed)

(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF _____

Subscribed and sworn to before me by _____
(Name)

this _____ day of _____, 20_____.

NOTARY PUBLIC
State-at-Large

Jim Bruce
General Manager
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