

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE	)	CASE NO.
WHOLESALE WATER SERVICE RATES OF	)	2018-00415
ASHLAND MUNICIPAL WATER SYSTEM	)	

ORDER

On November 28, 2018, Ashland Municipal Water System (Ashland Water) filed with the Commission revised tariff sheets setting forth proposed adjustments to its existing rates for wholesale water service to Cannonsburg Water District (Cannonsburg District) and Big Sandy Water District (Big Sandy District) effective January 1, 2019. On December 13, 2018, Cannonsburg District, through counsel, submitted a letter requesting the Commission to open a formal proceeding to investigate the reasonableness of the proposed rate. The Commission issued an Order on December 18, 2018, establishing a formal proceeding, suspending the rates until May 31, 2019, making Cannonsburg District and Big Sandy District parties to the proceeding, and providing others until January 10, 2019, to intervene.

In objecting to Ashland Water's proposed rate increase, Cannonsburg District and Big Sandy District did not make objections as to any specific cost or expense incurred by Ashland. Rather, they indicated that Ashland Water failed to provide any evidence from which they could determine that the rates were reasonable. To facilitate the production of such evidence, the Commission has prepared the request for information attached hereto and established the attached procedural schedule. Ashland

Water shall respond to the requests for information attached hereto on or before March 18, 2019. The parties shall follow the procedural schedule, attached hereto, to facilitate the orderly administration of this matter.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein, shall be followed in this proceeding.

2. The information requested in Appendix B to this order shall be filed by the date set forth in Appendix A. Responses to requests for information shall be appropriately bound, tabbed, and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record, and the original and six copies to the Commission.

3. a. Responses to requests for information, including those set forth in Appendix B, shall be appropriately bound, tabbed, and indexed and shall include the name of the witness responsible for responding to questions related to the information provided, with copies to all parties of record, and the original and six copies to the Commission.

b. 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.

c. Any party 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 not incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

f. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

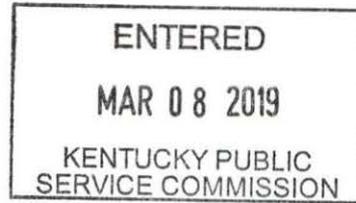
6. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

7. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video transcript shall be made of the hearing.

8. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

9. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2018-00415 DATED **MAR 08 2019**

Ashland Water shall file its response to the Commission's request  
for information attached hereto no later than ..... 3/21/2019

Intervenors and Commission Staff shall serve the first request for information  
upon Ashland Water no later than ..... 4/1/2019

Ashland Water shall file with the Commission and serve upon all parties  
of record its responses to the first set of request for information  
no later than..... 4/15/2019

Intervenor testimony, if any, shall be filed with the Commission  
and served upon all parties of record in verified prepared form  
no later than..... 4/25/2019

Parties and Commission Staff shall serve requests for information  
upon Intervenors no later than..... 5/05/2019

Intervenors shall file with the Commission and serve upon all other parties  
of record and Commission Staff their responses to requests for information  
no later than..... 5/17/2019

Public Hearing, beginning at 9:30 a.m., Eastern Daylight Time,  
at the Commission's offices at 211 Sower Boulevard, Frankfort,  
Kentucky, for the purpose of cross-examination of witnesses ..... To Be Announced

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2018-00415 DATED **MAR 08 2019**

1. Provide in written verified form the direct testimony of each witness that Ashland Water intends to rely on in this matter.
2. Provide every independent auditor's reports for Ashland Water for the fiscal years ending in 2016, 2017, and 2018.
3.
  - a. State the 12-month test period upon which Ashland Water bases its proposed rate adjustment.
  - b. Explain why this test period was chosen.
4. Explain if Ashland Water is using a historical or forecasted test year. Provide the general ledgers for Ashland Water for the proposed test period and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions.
5. For each outstanding revenue bond issuance related to Ashland Water's operations, provide:
  - a. The bond ordinance or resolution authorizing the issuance of revenue bonds;
  - b. An amortization schedule;
  - c. A detailed explanation of why the debt was incurred; and
  - d. A calculation of the annual debt service payment, including all required payments to debt service reserve accounts or funds, for each of the next three years.

6. List all persons on Ashland Water's payroll during the proposed test period. For each employee, state his or her job duties, total wages paid during the fiscal year, current salary or wage rate, and the percentage of work hours spent performing duties for each city division (e.g., water, sewer, police department, public works) during the fiscal year. If Ashland Water's records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how Ashland Water derived the estimate.

7. For each employee listed in Item 6, describe how Ashland Water allocated his or her payroll and payroll overhead charges to each city division for the proposed test period. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

8. a. List all joint or shared costs that Ashland Water incurred during the proposed test period. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among divisions for the proposed test period.

c. Provide all internal memorandums, policy statements, correspondence, and documents related to the allocation of joint and shared costs.

9. Provide depreciation schedules for the water divisions. A separate schedule shall be provided for each division.

10. Provide an adjusted trial balance and audit adjustments for the proposed test year and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.

11. Provide the “Enterprise Funds Uniform Financial Information Report” that Ashland Water submitted to the Kentucky Department of Local Government for the fiscal years ending in 2016, 2017, and 2018.

12. a. Identify all persons or entities to which Ashland Water provides wholesale water service.

b. For each customer listed above, provide for each of the previous 24 months its monthly water usage and the amount that Ashland Water charged it for service.

13. a. Complete the table below:

<b>Water Main Size</b>	<b>Total Miles Of Line</b>	<b>Miles Of Lines Used By Ashland Water To Serve Its Wholesale Customers</b>
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Who paid for the water main(s) that Ashland Water uses to deliver water to Ashland Water’s wholesale customer(s)?

14. a. What is the maximum capacity of Ashland Water’s water treatment plant?

b. For each of the customers listed in response to Item 12(a), state:

(1) The amount of Ashland Water's total water treatment plant capacity currently reserved for that customer; and

(2) The minimum and maximum quantity of water (in gallons) that the customer may purchase in a month under the terms of its present water purchase contract with Ashland Water.

c. Describe the changes, if any, that Ashland Water expects within the next three years in the level of water treatment capacity reserved for each of the customers listed in Item 12(a), and state the reason(s) for Ashland Water's expectations.

15. a. Provide who owns the master meter(s) through which Ashland Water provides water to the customers listed in Item 12(a).

b. Provide the numbers of master meters that Ashland Water's provide water service to each of the customers listed in Item 12(a).

c. Provide who is responsible for maintaining these master meters.

16. Provide a system map showing all Ashland Water's facilities that are used to serve the customers listed in Item 12(a). This map shall show, at a minimum, all master meters, pumping stations, storage tanks, water transmission mains, and water distribution mains used to serve the customers listed in Item 12(a). The size of all mains shall be clearly indicated on this map.

17. Provide the portion, if any, of Ashland Water's water main(s) that serve the customers listed in Item 12(a) and are gravity fed.

18. a. List Ashland Water's water sales (in gallons) for each month of the previous 36 months for each of its wholesale customers and for its retail customers.

b. List the total amount billed by Ashland Water for water service for each month of the previous 36 months to each of its wholesale customers and to its retail customers.

19. Provide Ashland Water’s current rate schedule for its retail customers and each of its wholesale customers.

20. Complete the table below:

Ashland Water	Gallons for Test Period	Gallons for Fiscal Year Ending June 30, 2005
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail		
Sales to Cannonsburg District		
Sales to Big Sandy District		
Sales to Other Wholesale Customers		
Total Produced and Purchased		
Total Sold		

21. a. State whether Ashland Water provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments or protection services).

b. If unmetered service is provided, then for each type of service, estimate the percentage of the total unmetered amount.

22. Provide a copy of the cost-of-service study, if any, upon which the proposed rate is based.

23. a. Identify the person who prepared the cost-of-service study, if any, upon which the proposed rate is based.

b. Provide the preparer’s curriculum vitae.

c. List all cases before the Commission in which the preparer has submitted a cost-of-service study.

d. List all utilities (municipal or public) for which the preparer has prepared a cost-of-service study. For each utility, identify the type of utility service (water or sewer) for which the report was prepared.

24. If the proposed rate is not based upon a cost-of-service study, describe how Ashland Water determined the proposed wholesale rate and state who participated in the determination.

25. Provide the ordinance or resolution of the city council or similar governing body in which the proposed rate adjustment was approved.

26. Provide the minutes of each city council meeting in 2018 and 2019 in which a proposed rate adjustment to Ashland Water's wholesale customers was discussed.

27. Provide a copy of all correspondence, electronic mail messages, or other written communications between Ashland Water and its wholesale customers since January 1, 2018, regarding revisions to Ashland Water's wholesale rate.

28. Provide all contracts, if any, for water service between Ashland Water, Cannonsburg District, or Big Sandy District that have not been filed with the Commission.

29. a. State the annual effect of the proposed rate adjustment on Ashland Water's revenues from wholesale water service to each of its wholesale water service customers.

b. Show all calculations made and state all assumptions used to derive the response to Item 29(a).

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