

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED)	
ADJUSTMENT OF THE WHOLESALE)	
WATER SERVICE RATES OF)	CASE NO. 2017-00133
MADISONVILLE WATER)	
DISTRIBUTION)	

**FIRST REQUEST FOR INFORMATION TO MADISONVILLE FILED BY
NEBO WATER DISTRICT AND NORTH HOPKINS WATER DISTRICT**

Pursuant to the Commission’s Order of May 1, 2017, Nebo Water District (“Nebo”) and North Hopkins Water District (“North Hopkins”) respectfully submit the following requests for information to the City of Madisonville, Kentucky (“Madisonville”), to be answered no later than June 23, 2017.

Instructions

1. As used herein, “Documents” include all correspondence, memoranda, notes, email, maps, drawings, surveys or other written or recorded materials, whether external or internal, of every kind or description in the possession of, or accessible to, Madisonville, its witnesses, or its counsel.
2. Please identify by name, title, position, and responsibility the person or persons answering each of these data requests.

3. These requests shall be deemed continuing so as to require further and supplemental responses if Madisonville receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted herein.

4. To the extent that the specific document, work paper, or information as requested does not exist, but a similar document, work paper, or information does exist, provide the similar document, work paper, or information.

5. To the extent that any request may be answered by a computer printout, spreadsheet, or other form of electronic media, please identify each variable contained in the document or file that would not be self-evident to a person not familiar with the document or file.

6. If Madisonville objects to any request on the ground that the requested information is proprietary in nature, or for any other reason, please notify the undersigned counsel as soon as possible.

7. For any document withheld on the ground of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown or explained; and the nature and legal basis for the privilege asserted.

8. In the event any document requested has been destroyed or transferred beyond the control of Madisonville, its counsel, or its witnesses, state: the identity

of the person by whom it was destroyed or transferred and the person authorizing the destruction or transfer; the time, place and method of destruction or transfer; and the reason(s) for its destruction or transfer. If such a document was destroyed or transferred by reason of a document retention policy, describe in detail the document retention policy.

9. If a document responsive to a request is a matter of public record, please produce a copy of the document rather than a reference to the record where the document is located.

Requests for Information

1. Confirm that the 12-month period ending June 30, 2016 is used as the test period for determining the proposed rate adjustment because it is required by the water supply contracts. If not, please explain why Madisonville uses the 12-month period ending June 30, 2016 to determine the proposed rate adjustment.

2. Provide a copy of the H.J. Umbaugh & Associates study dated June 17, 1977 (“Umbaugh Study”) that is referenced in Mr. Kington’s statement of May 23, 2017.

3. State when reviews of the Umbaugh Study have been performed and describe the modifications, if any, that were made as a result of those reviews. Provide a copy of each review.

4. Provide Mr. Kington’s curriculum vitae.

5. Provide a copy of all of Madisonville's accounting instructions, assumptions, directives, manuals, policies, and procedures.

6. Provide Madisonville's cost allocation manual and any other documents, including policy statements, memoranda, correspondence, and official guidance, that address how Madisonville allocates shared or joint costs between city departments and operations.

7. Describe how Madisonville allocates shared or joint costs between its water and sewer operations. Provide all documents that establish these cost allocation methods.

8. Provide the system of accounts that Madisonville uses for its water and sewer operations.

9. List each charge to the water fund during the year ending June 30, 2016 for the costs other than Madisonville's water operations. The response shall include a detailed explanation of why the water fund was charged for each non-water operation cost.

10. Identify all persons or entities to which Madisonville provides wholesale water service.

11. Provide the contract for wholesale water service between Madisonville and the City of Hanson ("Hanson").

12. Does Madisonville have a contract to provide wholesale water service to any person or entity other than Hanson that is not required to be filed with the Commission? If so, provide the contract(s).

13. Provide the rates that Madisonville currently charges its retail customers and each wholesale customer and the date when these rates were placed into effect.

14. State whether Madisonville has proposed or plans to propose to adjust its retail rates. If so, when does Madisonville expect the adjusted rates to become effective?

15. Provide the calculations used to determine Hanson's rate. If Madisonville identifies any other entities to which it provides wholesale water service in response to Question 10, provide the calculations to determine these entities' rates.

16. Provide the calculation to determine Madisonville's proposed wholesale rate for South Hopkins Water District.

17. Provide a map of Madisonville's water system showing all facilities used to serve Madisonville's wholesale customers. This map shall, at a minimum, show all master meters, pumping stations, storage tanks, water transmission mains, and water distribution mains used to serve its wholesale customers.

18. Describe the operation of Madisonville's water system. This description should include a detailed description of the treatment process that Madisonville uses.

19. Provide a copy of each notice of violation ("NOV") related to operation of the Madisonville Water Filtration Plant that Madisonville has received from the Department for Environmental Protection ("DEP") or a division thereof. For each NOV, state the reasons for the NOV, describe the corrective actions taken, and state whether the conditions that gave rise to the NOV still exist.

20. State whether Madisonville provides unmetered water service to any city departments or related entities (e.g., service to municipal buildings, fire departments, fire protection services, city parks, swimming pools, water parks, and sports parks). If unmetered service is provided, estimate the unmetered water provided for each entity or type of service.

21. Does Madisonville meter finished water as it leaves the Water Filtration Plant and enters Madisonville's distribution system? If yes, provide the daily meter readings for the year ending June 30, 2016.

22. For each month of the fiscal year ending June 30, 2016, state in gallons:

a. Total amount of water produced at Madisonville's water treatment facilities;

- b. Total amount of water used by Madisonville’s water treatment facilities (“plant use”);
- c. Total retail sales;
- d. Sales to each wholesale customer (list each customer separately); and
- e. Total water sales.

23. Provide the number of gallons of non-revenue water that Madisonville experienced for each month of the year ending June 30, 2016. For purposes of this request, “non-revenue” water is the total volume of water produced and distributed less the volume of water billed.

24. List each water storage tank in Madisonville’s water distribution system, its storage volume, and its location. For each listed storage tank, state whether it is used to provide water service to Nebo or North Hopkins and the percentage of the tank’s capacity that Madisonville has reserved for Nebo or North Hopkins.

25. State the maximum capacity of Madisonville’s water treatment facilities.

26. State the maximum daily demand in gallons for each of the following and the date upon which it occurred:

- a. Nebo;

- b. North Hopkins;
- c. South Hopkins;
- d. Hanson;
- e. Madisonville's retail distribution system; and
- f. Combined wholesale and retail operations.

27. State the statutory provision under which Madisonville formed and operates its water treatment and distribution systems.

28. Provide the ordinance or resolution of the Madisonville City Council authorizing the proposed wholesale rate adjustment.

29. Provide the ordinance that established Madisonville's current retail rates.

30. Provide a copy of the purchase order(s) for the purchase of the water filtration membrane replacements in the year ending June 30, 2016.

31. Provide all documents, including correspondence, e-mail messages, and meeting minutes, in which Madisonville's purchases of the water filtration membrane replacements were discussed or approved by Madisonville officials, employees, or contractors.

32. Provide all engineering studies regarding the Water Filtration Plant in which the water filtration membrane system is discussed.

33. Provide the manufacturer's specifications and sales literature regarding the water filtration membrane system and membrane replacements for that system.

34. State the manufacturer's recommended frequency for replacing water filtration membrane. Provide all correspondence between Madisonville and the manufacturer discussing the expected life of the water filtration membrane and its replacement frequency.

35. Provide the specifications and sales literature that GE Water and Process Technologies, Zenon Environmental Corporation, and their subsidiaries ("replacement vendors") provided regarding the replacements.

36. State the frequency for replacing the water filtration membrane recommended by the replacement vendors. Provide all correspondence between Madisonville and the replacement vendors discussing the expected life of the water filtration membrane replacements.

37. State how often Madisonville currently replaces its water filtration membranes.

38. State Madisonville's opinion as to the expected useful life of the water filtration membranes and the reasons for this opinion.

39. State whether the replacement of water filtration membrane during the fiscal year ending June 30, 2016 to which Mr. Kington refers in his testimony

involved the replacement of all existing filter membranes. If all filter membranes were not replaced, state the percentage of filter membrane replaced and explain why all were not replaced.

40. State when Madisonville's Water Filtration Plant was converted to a membrane filter plant.

41. List each purchase of replacement membrane for the Water Filtration Plant since that plant was converted to a membrane filter system, the date of the purchase, the vendor, the cost, whether the purchase was made after competitive bidding, the percentage of total plant membrane the purchase represented, and the reason for purchase.

42. Describe how Madisonville accounted for membrane purchases prior to the fiscal year ending June 30, 2016. This description should address whether these purchases were expensed or capitalized.

43. In his testimony, Mr. Kington stated that Madisonville has budgeted membrane replacement costs of \$460,000 for the fiscal year ending June 30, 2018.

a. Confirm that Madisonville has budgeted this amount for membrane replacement.

b. Provide a copy of the budget for Madisonville's water operations for the fiscal year ending June 30, 2018.

c. Explain why the replacement is required. Provide all documents in which the proposed replacement is discussed.

44. Explain why the purchase of the water filtration membrane replacements was expensed rather than capitalized.

45. State whether Madisonville uses only the original book value of a capital asset in the Capital Costs calculation in the contract formula regardless of the depreciation that has accrued on the capital asset.

46. a. State whether when calculating the wholesale rate Madisonville continues to include in its calculation of capital costs the cost of assets that have been fully depreciated.

b. If yes,

i. Explain why.

ii. Describe the circumstances (e.g., sale of asset; asset removed from service) under which Madisonville will cease to include an asset in its calculation of capital costs for purposes of determining the wholesale rate for Nebo or North Hopkins.

47. Provide a copy of the most recent depreciation study for Madisonville's water system.

48. Provide a copy of the current asset management plan for Madisonville's water operations.

49. Provide a copy of the current capital improvement plan for Madisonville’s water operations.

50. For all mains in the Madisonville Water System, complete the table below.

Water Main Size	Total Miles of Line	Miles of Lines Used to Serve Nebo	Miles of Lines Used to Serve North Hopkins	Miles of Lines Used to Serve South Hopkins	Miles of Lines Used to Serve Hanson
16-inch					
14-inch					
12-inch					
10-inch					
8-inch					
6-inch					
4-inch					
2-inch					

51. List all persons on Madisonville’s payroll during the Fiscal Year ending June 30, 2016 who performed duties on behalf of Madisonville’s water operations. (Employee may be identified by position or employee number in lieu of name.) For each employee, state his or her job duties, total wages paid during the test year, current salary or wage rate, and the percentage of work hours spent performing duties for the water operations during the test year. If Madisonville’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 Madisonville derived the estimate.

52. Describe the benefits (e.g., health insurance, life insurance) that Madisonville provides to the employees listed in the response to Question 51 and, for each employee listed in that response, state the cost of each benefit provided.

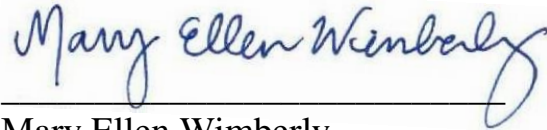
53. For each employee listed in Question 51, describe how Madisonville allocated his or her payroll and payroll overhead charges to water operations for the proposed test period. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

54. State whether prior to this proceeding the Public Service Commission has initiated any formal proceeding, conducted any hearing on, or issued any order approving the rate adjustments that Madisonville has made to the wholesale rate assessed to Nebo since August 1, 1994.

55. State whether prior to this proceeding the Public Service Commission has initiated any formal proceeding, conducted any hearing on, or issued any order approving the rate adjustments that Madisonville has made to the wholesale rate assessed to North Hopkins since August 1, 1994.

Dated: June 8, 2017

Respectfully submitted,



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*Counsel for Nebo Water District and
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct electronic copy of the foregoing First Request for Information is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on June 8, 2017; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original paper medium of the First Request for Information will be delivered to the Commission on or before June 12, 2017.

A handwritten signature in blue ink that reads "Mary Ellen Winberly". The signature is written in a cursive style and is positioned above a horizontal line.

*Counsel for Nebo Water District and
North Hopkins Water District*