

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED)
ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF) CASE NO. 2019-00260
CENTRAL CITY MUNICIPAL WATER)
& SEWER)

**FIRST REQUEST FOR INFORMATION TO CENTRAL CITY
MUNICIPAL WATER & SEWER FILED BY MUHLENBERG COUNTY
WATER DISTRICT AND
MUHLENBERG COUNTY WATER DISTRICT NO. 3**

Pursuant to the Public Service Commission’s (“Commission”) Order of August 21, 2019, Muhlenberg County Water District (“Muhlenberg District”) and Muhlenberg County Water District No. 3 (“Muhlenberg District #3”) respectfully submit the following requests for information to Central City Municipal Water & Sewer (“Central City”), to be answered no later than September 18, 2019.

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, Central City, 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 Central City 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 Central City 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 Central City, 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. Provide Mr. Rhoades's curriculum vitae.
2. List each case in which Mr. Rhoades has presented testimony to the Commission in either written or oral format.
3. Provide Mr. McGhee's curriculum vitae.
4. List each case in which Mr. McGhee has presented testimony to the Commission in either written or oral format.
5. List each Commission proceeding in which Mr. McGhee has sponsored a cost-of-service study. For each listed proceeding, provide a copy of the sponsored study.
6. Provide a copy of each cost-of-service study that Central City has performed or commissioned since 2014 to determine the cost of providing

wholesale water service to Muhlenberg District or Muhlenberg District #3. For each study, identify the preparer and provide his or her curriculum vitae.

7. Provide a copy of all of Central City's accounting instructions, assumptions, directives, manuals, policies, and procedures.

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

9. Provide the system of accounts that Central City uses for its water and sewer operations.

10. List each charge to the water fund during Fiscal Year ("FY") 2018 for the costs other than Central City's water operations. The response shall include a detailed explanation of why the water fund was charged for each non-water operation cost.

11. Provide the total gallons of water produced at Central City's water treatment plant for FY 2016, FY 2017, FY 2018, and FY 2019.

12. Describe the operation of Central City's water system. This description should include a detailed description of the treatment process that Central City uses.

13. Does Central City meter finished water as it leaves its water treatment plant and enters Central City's distribution system? If yes, provide the daily meter readings for FY 2016, FY 2017, FY 2018, and FY 2019 and what size meter(s) Central City uses to measure finished water as it leaves the water treatment plant.

14. How often does Central City flush its lines? State the volume of water used each time Central City flushes its lines.

15. Provide the number of gallons of non-revenue water that Central City experienced for each month of FY 2018 and FY 2019. For purposes of this request, "non-revenue" water is the total volume of water produced and distributed less the volume of water billed.

16. Does Central City calculate its cost to produce water? Please include the Kentucky Division of Water's most recent sanitary survey of Central City's water system confirming your answer.

17. Provide the ordinance that established Central City's current retail rates.

18. Provide a copy of the budget for Central City's water operations for FY 2020.

19. What are the service lives for Central City's water distribution and transmission mains? Provide all studies, reports, and analyses upon which Central City relied for its determination.

20. Provide a copy of the most recent depreciation study for Central City's water system.

21. If Central City has not performed or commissioned a depreciation study, explain how Central City determined the depreciation rate for its assets and identify the person(s) who made the determination.

22. Provide all studies, reports, and analyses upon which Central City relied in determining depreciation rates.

23. Are portions of the depreciation expense for all of Central City's depreciable water assets allocated to Muhlenberg District and Muhlenberg District #3? If no, identify the depreciable water assets of Central City that are not allocable to Muhlenberg District and Muhlenberg District #3.

24. Provide a copy of the current asset management plan for Central City's water operations.

25. Provide a copy of the current capital improvement plan for Central City's water operations.

26. Describe the benefits (e.g., health insurance, life insurance, pension costs, etc.) that Central City provides to its employees and state the cost of each benefit provided.

27. For each outstanding revenue bond issuance listed in Item 5 of Central City's responses to Commission's July 30, 2019 Order, indicate whether

depreciation expense is considered in determining the required debt service coverage.

28. Confirm that the purpose of the 2013 Kentucky Rural Water Corporation Finance loan in the principal amount of \$895,000 was to refinance Central City's Water and Sewer System Revenue Bonds, Series 1989 ("1989 Bonds"). What was the purpose and use of the proceeds of the 1989 Bonds?

29. State the purpose and use of the proceeds from the recent 2019 issuance of \$14,420,000 aggregate principal amount of Central City's Water and Sewer Revenue Bonds, 2019 Series A and B ("2019 Bonds").

30. Was any of the debt service for the 2019 Bonds used in determining the proposed rates?

31. Provide a complete copy of Ordinance #2019-03, which authorized the issuance of the 2019 Bonds.

32. Provide the amortization schedules for the 2019 Bonds.

33. Please confirm that Mr. Rhoades is both City Administrator and City Clerk of Central City. What are Mr. Rhoades's duties for each of these positions?

34. Is all of Mr. Rhoades's salary allocated between water and sewer or is part of it allocated to the general administration of the city?

35. Provide a copy of the Preliminary Engineering Report (“PER”) that was submitted to Rural Development (“RD”) on behalf of Central City prior to RD issuing its Letter of Conditions dated March 23, 2018.

36. Provide a copy of the Final Engineering Report that was submitted to RD on behalf of Central City for the proposed RD funded project.

37. Has Central City opened construction bids for the proposed RD funded project? If so, provide a copy of the certified Bid Tabulation.

38. Provide the total gross salaries that were allocated to Central City’s Water Division for FY 2016, FY 2017, FY 2018, and FY 2019.

39. Provide the actual amount that Central City contributed to the County Employees’ Retirement System (“CERS”) on behalf of Central City’s Water Division employees for FY 2016, FY 2017, FY 2018, and FY 2019.

40. Refer to Central City’s 2018 Audit Report which was filed in response to Item 2 of the Commission’s July 30, 2019 Order. Note 12 on Page 17 states, “The System leases office space from the City of Central City, Kentucky for \$6,000 per month.”

a. Is there a written lease agreement or other written document between the City of Central City and the Central City Municipal Water & Sewer System concerning the office space that is leased? If so, provide a copy of this document.

b. Describe the office space that is being leased by the Municipal Water & Sewer System (e.g. location, square footage, purpose, etc.).

c. Are the costs of the utilities for the leased office space included in the monthly lease payment? If not, provide an itemization of each of the utilities that the Municipal Water & Sewer System pays Central City.

41. Has the Audit Report for FY 2019 been completed? If so, provide a copy of it. If not, when is it expected to be completed?

42. Refer to paragraph 32 of the RD Letter of Conditions dated March 23, 2018. What is the rationale for not increasing the minimum bill amount for Central City's retail customers (the minimum bill amounts for "Inside City" and "Outside City" retail customers were not increased)?

43. Refer to Central City Ordinance 2019-10 which was filed in response to Item 25 of the Commission's July 30, 2019 Order.

a. See Section 9(A) of the Ordinance. Why did Central City increase the amount of water from zero gallons to 2,000 gallons that its "In-town users" would receive for \$11.00 per month?

b. See Section 9(A) of the Ordinance. Why did Central City keep the volumetric rate at \$3.06 per 1,000 gallons for all water purchased by "In-town users" up to 10,000 gallons per month?

c. Explain how the rates in Section 9(A) of the Ordinance do not conflict with the rates set forth in paragraph 32 of the RD Letter of Conditions dated March 23, 2019.

d. Explain how the rate of **\$3.85** per 1,000 gallons does not violate the requirement in the RD Letter of Conditions dated March 23, 2019 that the rate be **\$3.86** per 1,000 gallons.

e. See Section 9(D) of the Ordinance with respect to retail users “outside” the city. Why was the volume of water that could be purchased at the existing rate of \$18.76 reduced from 2,000 gallons to 1,000 gallons per month?

f. See Section 9(D) of the Ordinance and paragraph 32 of the RD Letter of Conditions dated March 23, 2018. Why did Central City increase the rate for “Outside City” retail customers from \$6.08 to \$7.66 per 1,000 gallons?

44. Refer to Central City’s response to the Commission’s July 30, 2019 Order, Item 22. In particular, refer to the Excel spreadsheet that was attached to this response.

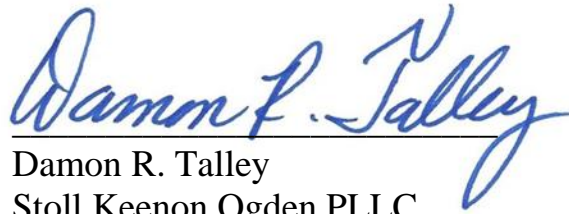
a. See Line 40 of the Excel spreadsheet in the “Project Only” column. Is it Central City’s position that the annual depreciation expense of the proposed \$1,000,000 RD project will be \$160,543? If so, provide a breakdown of the estimated useful lives and cost of each of the major components of the proposed RD project.

b. See Note 5 of the Excel spreadsheet. In calculating the proposed wholesale rate, did Central City assume the depreciation expense for the water assets to be 60% of the total annual depreciation expense for all the existing water and sewer capital assets? If so, what is the basis for this assumption?

[Rest of page intentionally left blank]

Dated: September 4, 2019

Respectfully submitted,



Damon R. Talley
Stoll Keenon Ogden PLLC
P.O. Box 150
Hodgenville, KY 42748-0150
Telephone: (270) 358-3187
Fax: (270) 358-9560
damon.talley@skofirm.com

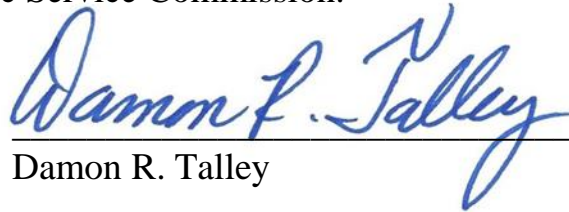
Gerald E. Wuetcher
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3017
Fax: (859) 246-3647
gerald.wuetcher@skofirm.com

Katelyn L. Brown
Stoll Keenon Ogden PLLC
500 West Jefferson Street, Suite 2000
Louisville, KY 40202-2828
Telephone: (502) 568-5711
Fax: (502) 333-6099
katelyn.brown@skofirm.com

*Counsel for Muhlenberg County Water
District and Muhlenberg County Water
District No. 3*

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that the electronic filing of this document is a true and accurate copy of the same document being filed in paper medium; that the electronic filing was transmitted to the Public Service Commission on September 4, 2019; that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding; and that on or before September 6, 2019 this document in paper medium will be delivered to the Public Service Commission.


Damon R. Talley