

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC PROPOSED ADJUSTMENT OF THE	)	CASE NO.
WHOLESALE WATER SERVICE RATES OF	)	2019-00444
PRINCETON WATER AND WASTEWATER	)	

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**CALDWELL COUNTY WATER DISTRICT AND LYON COUNTY WATER  
DISTRICT'S REQUESTS FOR INFORMATION  
PROPOUNDED UPON PRINCETON WATER AND WASTEWATER**

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Come now Caldwell County Water District ("Caldwell District") and Lyon County Water District ("Lyon District"), pursuant to the January 10, 2020 Order of the Kentucky Public Service Commission, and hereby addresses the following Information Requests to Princeton Water and Wastewater ("Company") to be answered by February 21, 2020, and in accordance with the following instructions:

**I. DEFINITIONS AND INSTRUCTIONS**

1. With respect to each discovery request, all information is to be divulged that is within the knowledge, possession or control of the parties to whom it is addressed, including their agents, employees, advisors, consultants, attorneys and/or investigators.
2. Please identify the witness(es) who will be prepared to answer questions concerning each request.
3. These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

4. All answers must be separately and fully stated in writing under oath.
5. Where a Request for Information calls for an answer in more than one part, each part should be separated in the answer so that the answer is clearly understandable.
6. For purpose of these discovery requests, the following terms shall have meanings set forth below:

- (a) As used herein, "document," "documentation" and/or "record," whether stated as the singular or the plural, means any course of binders, book, pamphlet, periodical, letter, correspondence, memoranda, including but not limited to, any memorandum or report of a meeting or telephone or other conversation, invoice, account, credit memo, debit memo, financial statement, general ledger, ledger, journal, work papers, account work papers, report, diary, telegram, record, contract, agreement, study, draft, telex, handwritten or other note, sketch, picture, photograph, plan, chart, paper, graph, index, tape, data processing card, data processing disc, data cells or sheet, check acceptance draft, e-mail, studies, analyses, contracts, estimates, summaries, statistical statements, analytical records, reports and/or summaries of investigations, opinions or reports of consultants, opinions or reports of accountants, trade letters, comparisons, brochures, pamphlets, circulars, bulletins, notices, forecasts, electronic communication, printouts, all other data compilations from which information can be obtained (translated if necessary by defendants into usable form), any preliminary versions, drafts or revisions of any of the foregoing, and/or any other written, recorded, transcribed, punched, taped,

filmed or graphic matter, however produced or reproduced and regardless of origin or location, in the possession, custody and/or control of the defendant and/or their agents, accountants, employees, representatives and/or attorneys. "Document" and "record" also mean all copies of documents by whatever means made, if the copy bears any other markings or notations not found on the original.

- (b) The terms "relating to," "referring to," "referred to," "pertaining to," "pertained to" and "relates to" means referring to, reporting, embodying, establishing, evidencing, comprising, connected with, commenting on, responding to, showing, describing, analyzing, reflecting, presenting and/or constituting and/or in any way involving.
- (c) The terms "and," "or," and "and/or" within the meaning of this document shall include each other and shall be both inclusive and disjunctive and shall be construed to require production of all documents, as above-described, in the broadest possible fashion and manner.
- (d) The term "Company" shall mean Princeton Water and Wastewater, and shall include, but is not limited to, each and every agent, employee, servant, advisor, consultant, insurer and/or attorney of Company. The term "you" shall be deemed to refer to Company.
- (e) The term "Commission" shall mean the Kentucky Public Service Commission.
- (f) The term "Caldwell District" shall mean Caldwell County Water District, its employees, agents, officers, directors and representatives.

- (g) The term “Lyon District” shall mean Lyon County Water District, its employees, agents, officers, directors and representatives.
- (h) To “identify” shall mean:
  - (1) With respect to a document, to state its date, its author, its type (for example, letter, memorandum, chart, photograph, sound reproduction, etc.), its subject matter, its present location, and the name of its present custodian. The document may be produced in lieu of supplying the foregoing information. For each document which contains information as privileged or otherwise excludable from discovery, there shall be included a statement as to the basis for such claim of privilege or other grounds for exclusion.
  - (2) With regard to a natural person, to state his or her full name, last known employer or business affiliation, title and last known home address.
  - (3) With regard to a person other than a natural person, state the title of that person, any trade name, or corporate name or partnership name used by that person, and the principal business address of that person.
- (h) To “produce” or to “identify and produce,” shall mean that Company shall produce each document or other requested tangible thing. For each tangible thing which Company contends is privileged or otherwise excludable from discovery, there shall be included a statement as to the basis for such claim of privilege or other grounds for exclusion.

- (i) The terms “Party or Parties” shall mean any organization, person, corporation, entity, etc., which intervened in the above-captioned proceeding and shall further include the Commission Staff; and
- (j) The term “City” shall mean the City of Princeton, Kentucky.

## **II. REQUESTS FOR INFORMATION**

1. Provide a schedule of water rates employed by Princeton from the year 2000 to the current date categorized by customer classification (retail, wholesale, commercial, etc.), and the date range that a particular rate was in effect.

- (a) Provide any and all tariffs, rate sheets, or such other documents which provide backup for the schedule requested above.
- (b) For any non-wholesale rate adjustments during this period provide copies of all minutes, resolutions and/or regulations of the City of Princeton Water and Sewer Commission authorizing the implementation of same.
- (c) For any wholesale rate adjustments during this period provide proof of Kentucky Public Service Commission approval of same.

2. Provide a schedule of wastewater rates employed by Princeton from the year 2000 to the current date categorized by customer classification and the date range that a particular rate was in effect.

- (a) Provide any and all tariffs, rate sheets, or other such documents which provide backup for the schedule requested above.
- (b) Provide copies of all minutes, resolutions and/or regulations of the City of Princeton Water and Sewer Commission authorizing the implementation of wastewater rates during this period.

3. Furnish all documents which Princeton provided to representatives of Caldwell and Lyon Districts at the October 22, 2019 meeting between them referenced in Beth Musgove's November 20, 2019, letter to Gwen R. Pinson, Executive Director, Kentucky Public Service Commission.

(a) Furnish all workpapers generated to create the data contained on all such documents.

4. Provide a complete copy of Princeton's Cost of Service Study relied upon in support of this wholesale rate adjustment request, or, if no Cost of Service Study was performed, a detailed step-by-step description of the analysis which was employed to support the requested wholesale rate adjustment and include all work papers, notes and other documents used or generated in preparing same.

(a) Identify by name, address and employer all individuals involved in preparing Princeton's Cost of Service Study, or, if no Cost of Service Study was performed the analysis described above.

(b) If Princeton did not use an outside rate consultant to prepare the Cost of Service Study or other analysis described above, identify the individual(s) having primary responsibility for its preparation.

(c) Describe in detail how Princeton arrived at the requested wholesale rate of \$2.97/100 cu.ft. or \$3.95/1000 gallons, and include a detailed re-creation of the mathematical calculations employed to arrive at the results relied upon by Princeton in this case.

5. Provide any and all documents, including, but not limited to board minutes, board presentations, letters or emails, which were created and used in conjunction with Princeton's Water

and Sewer Commission's consideration of approval of the subject wholesale rate increase and which resulted in the passage of Regulation No. 07-02-2019.

6. In its proposed wholesale tariff Princeton refers to a December 15, 2016, Water Purchase Contract between Princeton and Lyon District which is "on file at the Kentucky Public Service Commission." This contract was provided in Princeton's response to Commission's First Information Request 30. A search of the Commission's website does not reveal that this contract is on file with the Commission as stated by Princeton. Explain why Princeton believed the contract was on file at the Commission and the reason why it is not.

7. State whether Princeton performed a depreciation study in conjunction with the decision to proceed with this rate adjustment.

- (a) If Princeton did not perform a depreciation study state why it did not do so.
- (b) State whether the depreciation values used by Princeton in performing its Cost of Service Study, or, if no Cost of Service Study was performed whatever other analysis was performed, were for Princeton's Water Treatment Plant and only such other assets as are employed for the provision of water to its wholesale customers, or conversely, were for Princeton's entire system.
- (c) If no depreciation study was performed in conjunction with this case provide any previous depreciation studies performed by Princeton.
- (d) Describe how Princeton determined the useful lives of its capital assets for accounting purposes.
- (e) Identify the publications, texts or treatises that Princeton or its agents used to determine the useful lives of Princeton's capital assets for accounting purposes and for ratemaking purposes.

8. Refer to Princeton's Response to Commission Staff's First Information Request 2.
  - (a) Refer to Princeton's 2019 Audit at page 14. State whether the depreciation rates mentioned comport with those typically employed by the Commission for water utilities similar to Princeton. If they do not, state why..
  - (b) Refer to Princeton's 2017 Audit at page 15. State why the depreciation rates mentioned are different from those contained in Princeton's 2018 Audit (page 15), and its 2019 Audit (page 14).
    - i. Who recommended this change and what was the basis for it?
    - ii. Provide any correspondence or other documents between Princeton and its Auditors referencing this change.
9. Refer to Princeton's Response to Commission Staff's First Information Request 6c. Discuss in detail when Princeton upgraded its water treatment plant from 2.0 to 3.0 MGD, the reasons for such upgrade and the total cost for the upgrade.
  - (a) Provide a chart, similar to that provided in Princeton's Response to Commission Staff's First Information Request 16b., demonstrating total system annual water usage, broken down by wholesale and retail usage, for the five years preceding this upgrade and for all years following the upgrade to the current date.
  - (b) Provide the total amount of the original bond issue to finance this upgrade and include documentation evidencing same.
  - (c) Refer to Princeton's Response to Commission Staff's First Information Request, Exhibit 6a, KACo Revenue Lease. Princeton states that this lease refinanced the RD Series 200 Bond Issue used to increase the Water Treatment Plant's capacity from 2.0 MGD to 3.0 MGD. Please explain how this Revenue



Lease works as a way to refinance the original Bond Issue.

- (d) Refer to Princeton's Response to Commission Staff's First Information Request, Exhibit 6a, KACo Revenue Lease, page 10, Exhibit A, "Description of Project", where it is stated that the purpose of the Revenue Lease was to refund the original Bond Issue "originally issued to finance the cost of the construction of extensions, additions and improvements to the existing combined and consolidated water and sewer system of the City [of Princeton]." State with specificity what extensions, additions and improvements to Princeton's Sewer system the RD Series 200 Bond Issue financed.

10. Refer to Princeton's Response to Commission Staff's First Information Request 6c. With regard to the RD Water Revenue Series 2019 bond issue in the amount of \$2,739,000, state how the projects associated with this borrowing, to wit, the 16" transmission line upgrade to Industrial Park Tank, refurbishment of the Skyline Tank and the Sandlick Road service switch-over benefitted either Lyon or Caldwell Districts?

- (a) State the total final cost for each of the projects listed above.

11. Refer to Princeton's response to Commission Staff's First Information Request 1, the testimony of Beth Musgove, to respond to the following questions:

- (a) Refer to page 4, line 10 and following, regarding the activities of the University of North Carolina Environmental Finance Center ("UNC").
  - i. What audits did UNC review "to determine strengths and weaknesses of Princeton's finances"?
  - ii. What did UNC determine were those strengths and weaknesses?

- iii. State whether UNC's Affordability Tool was used by Princeton in place of a Cost of Service Study.
- iv. Identify all individuals providing data to UNC for input into the Affordability Tool.
- v. Provide all written and electronic correspondence and documents of any kind between Princeton and UNC which relate to the Affordability Tool and any other work performed by UNC for Princeton.
- vi. Provide any and all other "runs" of the Affordability Tool besides the final one discussed in Ms. Musgove's testimony and provided by Princeton in its response to Commission Staff's Initial Information Request 33.
- vii. State whether Princeton asked UNC to perform a similar Affordability Tool for those retail customers of Lyon and Caldwell Districts which will be directly affected by Princeton's wholesale rate increase. If so, provide the result of UNC's work.
- viii. Provide a chart summarizing Princeton's retail customer delinquency rates for FY 2014, 2015, 2016, 2017, 2018 and 2019 before the revised retail customer rates were implemented in August 2019.
- ix. Provide a chart summarizing Princeton's retail customer delinquency rates since the revised retail customer rates were implemented in August 2019.

- x. Provide any written or electronic correspondence which Princeton received from 2014 to date from any of its retail water customers complaining about Princeton's retail water rates.
  - xi. Provide any meeting minutes from either Princeton Water and Wastewater Commission or City of Princeton from 2014 to date which identifies any discussion of customer complaints concerning Princeton's retail water rates.
- (b) Refer to page 4, line 20 and following.
- i. State with specificity what research Princeton conducted related to industry "water rates and trends" which led it to replace the declining block rate structure with a uniform rate structure. Provide copies of all documents and authority Princeton reviewed and relied upon in making this decision.
- (c) Refer to page 5, line 11 and following.
- i. State with specificity Princeton's future intentions regarding the phasing out of the current declining block rate structure. Princeton's response should provide an anticipated timeline for this phasing out and whether additional downward retail rate adjustments coincident with upward wholesale rate adjustments are planned.
- (d) Refer to page 5, line 15 and following.
- i. How did Princeton arrive at the requested rate of \$2.97/100 cu ft for its largest retail customers and its wholesale customers, and not some other

amount, if Princeton's calculated cost of water production was \$3.76/100 cu ft?

- (e) Refer to page 6, line 23 and following.
  - i. Princeton states "Rather than perform an expensive cost of service study, PWWC divided all costs of water production and distribution by the total cubic feet of water produced and available for sale to get a cost per 100 cubic feet. This is the same method PWWC employs to set rates for wastewater." State what authority Princeton relied upon to employ this method of determining cost of service for ratemaking purposes.
  - ii. Provide all documents demonstrating estimates for completion of a Cost of Service Study which Princeton obtained in determining that a reliable Cost of Service Study was "too expensive." If no such documents exist, provide the substance of any verbal estimates Princeton obtained along with when and by whom such estimates were obtained.
- (f) Provide all documentation supporting the results referenced in Ms. Musgove's testimony.

12. Refer to Princeton's response to Commission Staff's First Information Request 7. State with specificity how Princeton arrived at the stated allocation percentages of particular employees as between water and sewer activities listed in the "FY 2019 Allocation" column. Provide any documents, calculations or other information which Princeton employed in arriving at these allocations.

- (a) For employees 186, 155, 198 and 201 the "FY 2019 Allocation" column refers to them as "100% Admin". Please state the effect of this allocation regarding

whether the referenced employees' wages are included for ratemaking purposes by Princeton.

13. Refer to Princeton's response to Commission Staff's First Information Request 11.
  - (a) Describe in detail each constituent of the benefit package available to Princeton's employees, including the percentage of employee contribution, if any, that is required.
  - (b) Confirm that Princeton's policy regarding the payment for employee health insurance coverage is that Princeton pays the full premium amount for family coverage for the Livingwell CDHP plan without any employee contribution required.
  - (c) Confirm that for the test year, FY 2019, no Princeton employee made any monetary contribution toward his/her health insurance coverage and the resulting amount Princeton paid for employee health insurance coverage was \$94,984.00 .
  - (d) Explain Princeton's policy concerning employee contributions toward Dental, Vision, and Life Insurance/Short Term Disability coverage, including that amount of Life Insurance that Princeton provides to each employee before employee-paid coverage enhancements are available.
  - (e) Confirm that for the test year, FY 2019, no Princeton employee was paid a \$175/month healthcare credit.
  - (f) Explain the "CERS Benefit" and how contributions between Princeton and the employee are calculated.
  - (g) State the period of years that Princeton's policy to pay 100% of employees'

health insurance for family coverage has been in effect.

- (h) State the period of years that Princeton's policy regarding payment/contribution for the other constituents of the employee benefit package has been in effect.

14. Refer to Princeton's response to Commission Staff's First Information Requests 9 and 11. Using a table format provide a detailed columnar summary of total compensation received by every Princeton employee employed during the test year, FY 2019.

15. Using a table format provide a detailed summary of total compensation, including any health insurance, bonuses or other benefits, received by each of Princeton's Commissioners and Princeton's attorney for the test year, FY 2019.

- (a) If Princeton's Commissioners or attorney receive any compensation other than the \$150 monthly fee, provide all minutes of Commissioners' meetings where such benefits were authorized.

16. Refer to Princeton's response to Commission Staff's First Information Request 22.

- (a) As of the end of the test year, FY 2019, state how many inside-city retail customers and outside-city retail customers Princeton had.
- (b) At the time Princeton adjusted its rates for inside-city retail customers effective August, 2019, why did it decide to wait on the approval of its wholesale rate adjustment before making an adjustment to rates for outside-city customers?
- (c) Once the current wholesale rate adjustment is approved, state Princeton's intention regarding whether outside-city retail customers' rates will become identical to inside-city retail customers' rates. If this is not Princeton's intention provide what its intention regarding such customers will be along with detailed reasons for this position.

17. Refer to Princeton's response to Commission Staff's First Information Request 26.
- (a) In its response Princeton failed to "provide all supporting documentation for the proposed rate" as requested by Commission Staff. Princeton is requested to provide all such supporting documentation for the proposed rate in its response to this Information Request.
  - (b) In its response Princeton failed to identify all individuals "who participated in the determination" as requested by the Commission Staff. Princeton is requested to identify by name, address, occupation, specific subject areas of participation and prior experience of all such individuals participating in the determination.
18. Refer to Princeton's response to Commission Staff's First Information Request 27.
- (a) Provide all handouts, electronic/written presentations, and any other documents used, reviewed or referred to at the 5/29/18, 6/21/18, 10/25/18, 11/29/18, 1/31/19, 6/5/19, 6/7/19 and 7/2/19 Princeton Commissioners' meetings.
  - (b) The 7/2/19 Princeton's Commissioners' meeting minutes indicate that the wholesale rate increase Regulation was given a First Reading. However, Princeton failed to furnish subsequent meeting minutes where a Second Reading occurred. Provide a copy of such meeting minutes and provide all handouts, electronic/written presentations, and other documents used, reviewed or referred to at this subsequent meeting.
  - (c) Provide all meeting agendas for the meetings referenced in these Information Requests 19 (a) and 19 (b) above.
  - (d) Provide copies of all published statutory public notices pertaining to the First

and Second readings of the Regulations for both the retail and wholesale rate increases.

- (e) State whether Princeton's Commissioner's meetings are either audio or video recorded. If they are recorded provide such recordings for the meeting dates listed in these Information Requests 19 (a) and (b) above.

19. Refer to Princeton's response to Commission Staff's First Information Request 29, specifically the email dated 10/5/19 from Tracy Musgove to various recipients. Starting with paragraph two of the email Ms. Musgove's email states: "Last October, I enlisted the help of professionals with the Environmental Finance Center at UNC Chapel Hill. Assessments of our system's financial stability and the affordability to our customer base were completed **along with a rate study. Several rate scenarios were modeled...**[emphasis added]"

- (a) Provide a complete copy of the rate study referenced in this email along with all supporting documents.
- (b) Refer to Princeton's response to Commission Staff's First Information Request 25 where Princeton states that such a study was not performed. Provide a detailed explanation of these inconsistent statements.
- (c) Provide copies of all "rate scenarios" that were modeled along with all supporting documents.

20. Refer to Princeton's response to Commission Staff's First Information Request 31. Using a table format summarize the projected net effect on Princeton's water and sewer revenues of the retail water and sewer adjustments made in 2019, coupled with the implementation of the wholesale adjustment requested by Princeton in this case (assuming hypothetically that the entire wholesale increase were approved by the Commission).



- (a) Provide total sewer revenues for the same period as the test year, FY 2019.
21. Refer to Princeton's response to Commission Staff's First Information Request 32.
- (a) Provide all documentation which supports Princeton's 50%-50% allocation for Items (a), (b) and (c).
  - (b) Provide all documentation which supports Princeton's 45%-55% "randomly allocated" decision for Item (d).
  - (c) In its response Princeton does not address the allocation decision of Item (e), Chemical and Gas Inventory Adjustment. State how Princeton has chosen to allocate this Item and provide an explanation of its rationale for same and all documentation with supports it.
22. Refer to Princeton's response to Commission Staff's First Information Request 33.
- (a) State whether the UNC Water and Wastewater Residential Rates Affordability Assessment Tool is being used by Princeton in this case as a substitute for a Cost of Service Study to determine the cost of providing water service for ratemaking purposes.
    - i. If it is not being used as such state its intended purpose.
  - (b) Confirm that the financial inputs which were utilized in the Assessment Tool were from Princeton's FY 2017 financial statement, and not from the test year, FY 2019.
23. Refer to Princeton's proposed wholesale rate tariff which was contained in its initial filing with the Commission.
- (a) State the basis for increasing the wholesale meter charge by 50%, from \$4.00/meter to \$6.00/meter and provide all documentation which Princeton

relies upon to support this increase.

- (b) Confirm that Lyon and Caldwell Districts both own and are responsible for the costs of maintaining all of the master meters utilized between their systems and Princeton's system.
  - i. If Princeton agrees that this is the case state the justification for the requested 50% wholesale meter charge increase.

24. Refer to Princeton's response to Commission Staff's First Information Request 16.

In the table provided Princeton provides the proposed total revenue and corresponding revenue increase expected from the requested wholesale rate increase based upon FY 2019 consumption as to both Caldwell and Lyon Districts.

- (a) Provide a similar calculation of proposed total revenue and corresponding revenue increase/decrease expected from the "inside city customers" retail rate decrease enacted in August 2019 based upon FY 2019 consumption.
- (b) Provide a similar calculation relative to "outside city customers" based upon Princeton's projection of when those customers' retail rates will be adjusted.
- (c) Provide a similar calculation for both classifications of retail customers based upon Princeton's projection of when subsequent phasing-out of declining block rates will likely occur.

25. Identify each person who prepared or assisted in the preparation of Princeton's Application materials and identify that section or sections of the Application materials for which the person is responsible.

26. For each person listed in the response to Request 26, provide the person's curriculum vitae.

27. Provide a list and furnish copies of all reports, studies, analyses, review, and similar documents used to prepare Princeton's Application materials.

28. Provide a list of all state or federal governmental agencies to which Princeton must annually report its finances and operations. Furnish copies of all such reports for FY 2017, FY 2018 and FY 2019.

29. Provide a copy of the minutes of each meeting of the City of Princeton's Water and Wastewater Commission for 2017, 2018, 2019, to current date.

30. Refer to Princeton's response to Commission Staff's First Information Request 9. Using a table format, as to each current and former Princeton employee, provide all wage increases, if any, expressed by percentage and total dollars that such employee received during FY 2014, FY 2015, FY 2016, FY 2017, FY 2018 and FY 2019.

31. Using a table format provide the number of gallons of water used by Princeton's wastewater treatment plant for FY 2014, FY 2015, FY 2016, FY 2017, FY 2018, and FY 2019 and include a description of how Princeton's sewer division compensates Princeton's water division for water used at the wastewater treatment plant, the amount of such compensation for these years, and whether compensation was accounted for during these years.


32. State whether salaries and other benefits, if any, for members of Princeton's Water and Wastewater Commission were allocated between water and sewer operations.

33. Provide Princeton's cost allocation manual and all other documents, including policy statements, memoranda, correspondence, and office guidance, that address how Princeton allocates shared or joint costs between its water and sewer operations.

34. Refer to Princeton's response to Commission Staff's First Information Request 17 and 19.

- (a) Describe in detail how Princeton determined the miles of main used jointly for retail and wholesale water service.
- (b) State Princeton's justification for its position that the entire 15.3 miles of 16" main is utilized by Princeton to serve Lyon and Caldwell Districts.
- (c) Provide a readable larger scale version of the system map furnished at Exhibit 19.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

This is to certify that foregoing electronic filing is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the Commission on February 7, 2020; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy of the filing in paper medium is being hand delivered to the Commission within two business days.



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*Counsel for Caldwell County Water District and  
Lyon County Water District*