

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
CASE NO. 2021-00244

IN THE MATTER OF:

**ELECTRONIC TARIFF FILING OF CITY OF JACKSON REVISING ITS
WHOLESALE WATER SERVICE RATES**

RESPONSE FOR CITY OF JACKSON TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

Comes the City of Jackson, by counsel, and for its Response to Commission Staff's Second Request for Information, states as follows:

1. Refer to Staff's First Request, Item 27. If the proposed rate is not based upon a cost of service study, describe how Jackson determined the proposed wholesale rate and state who participated in the determination. Provide all supporting documentation for the proposed rate.

ANSWER: See dialogue below and supporting documents. The Mayor of Jackson confirmed the proposed rate increase based on the City of Jackson rate ordinance.

From 2006 through 2010, the City of Jackson lost almost \$1.25 million from operating the water service. The City general fund was subsidizing operations of the water system, and the water system was unable to maintain or replace critical assets or pay basic expenses.

In 2011, the City of Jackson requested RCAP to perform a water rate analysis to assess the overall stability of the Jackson water system, to recommend a fair and equitable rate structure that would cover the expenses of the water system, and to recommend short-term and long-term sustainable actions for the water system. (See additional uploaded document)

RCAP recommended restructuring and increasing the City's water rates as well as a series of system improvements aimed at reducing the system's water loss, reducing expenses, and increasing revenue to enable the system to operate at a greater efficiency.

Prior to 2012, the rate for water services was tied to the Consumer Price Index with an option for an annual increase of up to 3%. In 2012, the City Council amended the previous rate ordinance to read that

the Mayor will increase the water rate by 3% each year. (See uploaded ordinances) The amended ordinance included a strike through with verb change, and it did not remove the wording related to the Consumer Price Index (even though the CPI would no longer be used in determining rates).

In 2015 Jackson Waterworks was working on a \$1,475,000 water improvement project, and USDA notified the City that a rate increase was required to secure the needed funding (see letter uploaded). In order to meet the USDA criteria for funding, the City amended the water rate ordinance again increasing the rate by .25 cents per 1,000 gallons and guaranteeing the 3% annual increase previously legislated.

The City recently has been approved through KIA for a wastewater improvement project which is desperately needed, and the KIA financial analysis for the project also required an ordinance reflecting a means to increase rates to fulfill debt requirements.

2. Refer to Staff's First Request, Item 33. Refer to Jackson's Ordinance, Chapter 52.15, Monthly Water Rates, in which it is stated that rates for water service are tied to the Consumer Price Index (CPI) as published by the Federal Reserve Bank of Cleveland, Ohio. Provide all supporting evidence that the CPI is reflective of the costs incurred by Jackson.

ANSWER: *The current rates for water service are not tied to the CPI.*

The goal of Jackson Water Works is to have rates that provide for the proper maintenance and operation of the current system while providing funding for future improvements and timely replacement of aging infrastructure. The City of Jackson intends to amend our rate ordinance to more accurately reflect this goal. The ordinance should also reflect the ability to revise rates from time to time when necessary to comply with covenants and undertakings of bonds which by their terms are payable from the revenues of the municipal water (or sewer) system.



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ATTORNEY FOR CITY OF JACKSON

LAURA THOMAS, Mayor of the City of Jackson, Kentucky, ANGIE COMBS, Clerk of the City of Jackson, Kentucky, and KAYLA JENNINGS, Bookkeeper, Jackson Water Department, FOR AND ON BEHALF OF THE CITY OF JACKSON, KENTUCKY, state that they have examined the foregoing Response for the City of Jackson to the Commission Staff's Second Request for Information and the statements contained therein are true and correct to the best of their knowledge.



LAURA THOMAS, MAYOR

CITY OF JACKSON, KENTUCKY



ANGIE COMBS, CLERK

CITY OF JACKSON, KENTUCKY



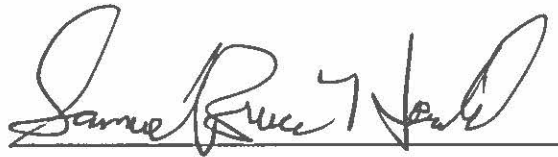
KAYLA JENNINGS, BOOKKEEPER

JACKSON WATER DEPARTMENT

STATE OF KENTUCKY

COUNTY OF BREATHITT

Subscribed and sworn to before me by LAURA THOMAS, Mayor, City of Jackson, Kentucky, ANGIE COMBS, Clerk, City of Jackson, Kentucky, and KAYLA JENNINGS, Bookkeeper Jackson Water Department, on this 23 day of September, 2021.



NOTARY PUBLIC

My Commission Expires: 3/10/25

NOTICE OF FILING

I hereby certify that the foregoing was electronically filed this 24 day of September, 2021, with the Public Service Commission.



S. BRUCE HERALD
ATTORNEY FOR CITY OF JACKSON