

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

IN THE MATTER OF:

ELECTRONIC TARIFF FILING OF THE CITY OF	)	
BURKESVILLE TO INCREASE ITS WHOLESALE	)	CASE NO.
RATE TO CUMBERLAND COUNTY WATER	)	2024-00075
DISTRICT	)	

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RESPONSE OF CITY OF BURKESVILLE  
TO THE COMMISSION STAFF'S FIRST REQUEST FOR  
INFORMATION DATED APRIL 29, 2024

Comes now the undersigned Counsel on behalf of the City of Burkesville, and hereby makes her response to the Commission Staff's first request for information dated April 29, 2024 and states the following:

- a. Please see "*Exhibit A*" for the requested Excel Spreadsheet with all formulas, rows and columns regarding Burkesville's calculation for the proposed \$3.26 rate.
- b. Please see "*Exhibit B*" for the test year calculated rate conducted by Robert Miller with the Kentucky Rural Water Association.
- c. All requested documents are hereby alleged and filed.

Further, please see the attached letter from Mayor Laurel Irby explaining the effect rate shock could have on our impoverished community and the explanation of the strategy currently agreed upon as "*Exhibit C*".

Respectfully Submitted,



**Hon. Holly Long Parrigin**

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**CERTIFICATE OF SERVICE**

The foregoing was served by electronic filing this 13<sup>th</sup> day of May 2024.



Hon. Holly Long Parrigin

**City of Burkesville**  
**Case No. 2024-00075**  
**Commission Staff's First Request for Information**

**Witness:**     Robert K. Miller

1. Refer to Case No. 2024-00075, Order dated April 8, 2024, at unnumbered page 176 of 177 which states that the Computed Wholesale Rate per 1,000 Gallons is \$3.11. Also refer to Case No. 2024-00075, Burkesville Tariff Filing at unnumbered page 1 of 3 which states that the proposed wholesale rate effective April 15, 2026, is \$3.26 per 1,000 gallons.
  - a. Provide Burkesville's calculation for the proposed \$3.26 rate in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

**Response: See file    Wholesale\_Rate\_Model    Tab Rate\_Computation**



b. State the test year for the calculated rate of \$3.26.

**Response:** The test year for the wholesale cost of service rate study was based on financial information for the fiscal year ending June 30, 2023. The calculated rate of \$3.26 for consumption on and after April 15, 2026 was the result of good faith negotiations between City of Burkesville (the “City”) and Cumberland County Water District (the “District”). The City and the District were assisted by legal counsel throughout the negotiations.

Following is a brief summary of the background information how the rate of \$3.26 was reached:

Burkesville Municipal Water Works sold water to the District on a wholesale basis under Water Purchase Contract signed in 2017. This contract contained the terms and conditions under which new pricing would be negotiated after five years (see Water Purchase Contract September 21 2017).

The City contacted Kentucky Rural Water Association (KRWA”) on October 12, 2022 to request a wholesale cost-of-service water rate study based upon current expenses. KRWA sent a proposal which the City accepted on November 18, 2022.

The rate study was completed and delivered to the City on November 27, 2023. KRWA and the City met with the District chairman and staff to present the rate study report results on January 19, 2024. Based upon the wholesale rate study, the computed wholesale rate would be \$3.11 per thousand gallons. This represents an increase of \$0.96 per thousand gallons or 44.7% over the current rate of \$2.15.

The City and the District continued to meet and negotiate terms of a new Water Purchase Contract. Cumberland County expressed a willingness to accept the results of the wholesale rate study provided that the 44.7% increase could be implemented over three years. Burkesville expressed a willingness to accommodate Cumberland County by implementing the increase in three steps of 14.7%, 15.0%, and 15.0%.

The compounding effect of implementing the 44.7% rate increase into three parts was specifically discussed with the District and their legal counsel. The District acknowledged that, without the compounding effect of the rate increase, there was no rational basis for the City to accept any phase-in of the rate increase. This acknowledgement was memorialized with the rates in the Customer Notice sent by the City to the District as well as the Water Purchase Contract signed by the District and the City on February 15, 2024.





**Following is an analysis of the effect of the rate increase alternatives:**

**Three Years of Revenue from One-Time 44.7% Increase**

184,863 thousand gallons sold per year  
X \$3.11 per thousand gallons  
= \$574,924 for one year  
X 3 years  
= \$1,724,772 for three years.

**Three Years of Revenue from Annual Increases of 14.7%, 15.0%, and 15.0%**

184,863 thousand gallons sold per year  
X \$2.47 per thousand gallons  
= \$456,612 for year 1

184,863 thousand gallons sold per year  
X \$2.84 per thousand gallons  
= \$525,011 for year 2

184,863 thousand gallons sold per year  
X \$3.26 per thousand gallons  
= \$602,653 for year 3

= \$1,584,276 for three years.

**The three year difference between immediate implementation of 44.7% and a phased-in implementation of 44.7% represents a shortfall of \$140,496 for the City.**

c. If Burkesville is not able to provide calculations in support of the proposed rate, describe how it determined that the rate should be higher than the calculated rate of \$3.11.

**Response: Burkesville is able to provide calculations in support of the proposed rate.**

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

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ELECTRONIC APPLICATION OF THE CITY OF	)	
BURKESVILLE TO INCREASE ITS WHOLESALE	)	CASE NO.
RATE TO CUMBERLAND COUNTY WATER	)	2024-00075
DISTRICT	)	

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**VERIFICATION OF ROBERT K. MILLER**

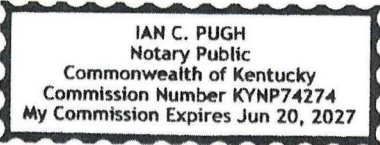
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COMMONWEALTH OF KENTUCKY    )  
  )  
COUNTY OF JEFFERSON            )

Robert K. Miller, Kentucky Rural Water Association on behalf of City of Burkesville, states that he has supervised the preparation of certain responses to the Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

  
\_\_\_\_\_  
Robert K. Miller

The foregoing Verification was signed, acknowledged and sworn to before me this 8 day of May, 2024, by Robert K. Miller.



 , Notary Public

Commission expiration: June 20, 2027

This institution is an equal opportunity provider and employer.

**City of Burkesville**  
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May 10, 2024

To Whom It May Concern:

Subject: Mitigating Rate Shock Through Gradual Rate Adjustments

I am writing to you on behalf of City of Burkesville, Public Waterworks to discuss our upcoming rate adjustments and the strategy we developed to address the potential impact on our consumers.

We understand that a significant one-time increase in rates can lead to rate shock for consumers, potentially causing financial strain and frustration. In order to alleviate this burden and provide consumers with a more manageable adjustment period, we, along with the Cumberland County Water Board decided to spread the cost increase over three years.

While we acknowledge that this approach may result in a revenue shortfall for the first two years to the City of Burkesville due to the extended adjustment period, we are committed to absorbing this shortfall. Our primary goal is to prioritize the well-being and affordability of our consumers, even if it means bearing the financial impact in the short term.

By implementing gradual rate increments over three years, we aim to give consumers more time to adjust their budgets and adapt to the changes. We want to minimize the negative impact of the rate increase and ensure a smoother transition for all parties involved in the long run.

Thank you for your attention to this matter. We value your partnership and look forward to working together to achieve a successful and sustainable outcome for all stakeholders involved.

Warm regards,



Laurel J. Irby  
Mayor, City of Burkesville

