

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC TARIFF FILING OF THE CITY OF)
FALMOUTH TO INCREASE THE WHOLESALE)
WATER RATES CHARGED TO EAST)
PENDLETON WATER DISTRICT AND)
PENDLETON COUNTY WATER DISTRICT)**

**CASE NO.
2024-00244**

**MOTION TO AMEND PROCEDURAL SCHEDULE AND
TO EXPAND THE SCOPE OF COMMISSION’S STAFF’S
FIRST REQUEST FOR INFORMATION**

Comes now East Pendleton Water District and Pendleton County Water District (collectively referred to as “Districts”) to request that the Commission amend the Procedural Schedule attached as Appendix A to its August 12, 2024 Order to include a provision for Commission Staff (“Staff”) to conduct a field audit of the City of Falmouth’s (“Falmouth”) books and records and to prepare a report to be submitted into the record of this proceeding summarizing its findings on the reasonableness of Falmouth’s proposed wholesale tariffed rates. The Districts further request that the Commission expand the scope of Staff’s First Request for Information to the City of Falmouth that is shown as Appendix B of the Commission’s August 12, 2024 Order.

BACKGROUND

The Commission last reviewed Falmouth’s wholesale tariffs in Case No. 2006-00403¹ and Case No. 2007-00257.² Pursuant to KRS 278.190, the Commission opened Case No. 2006-00403 by Order dated September 22, 2006, to investigate the reasonableness of Falmouth’s

¹ In the Matter of Proposed Adjustment of the Wholesale Water Service Rates of the City of Falmouth.

² In the Matter of Proposed Adjustment of the Wholesale Water Service Rates of the City of Falmouth.

proposed wholesale water service rates. At that time, Falmouth charged the Districts \$1.98 per 1,000 gallons. It proposed to increase that rate to \$2.10 per 1,000 gallons for Pendleton County Water District and to \$2.02 per 1,000 gallons for East Pendleton Water District.

The Commission's Order opening Case No. 2006-00403 included a procedural schedule as well as the Commission's Initial Request for Information to Falmouth. The procedural schedule allowed for two additional rounds of Data Requests to be submitted to Falmouth. It did not provide for the preparation and submittal of a Staff Report. The Commission's initial data request was extensive containing 33 separately numbered requests for information with many of those requests having multiple subparts.

During execution of the Procedural Schedule, informal conferences were held to allow all parties to the case the opportunity to discuss Falmouth's continued inability to provide meaningful information through written responses to data requests. Ultimately, the Commission abandoned the Procedural Schedule and instructed Staff to perform a field audit and summarize its findings in a report. Staff issued a report on May 11, 2007, finding Falmouth could justify rates of \$1.68 per 1,000 gallons and \$1.64 per 1,000 gallons to be charged to Pendleton County Water District and East Pendleton Water District, respectively.

Recognizing that KRS 278.190(3) requires the Commission to complete its investigation and render a final decision within 10 months of the filing of a proposed tariff, the Commission by Order dated June 27, 2007, closed the proceedings of Case No. 2006-00403 finding that Falmouth's:

“unfamiliarity with public utility accounting and rate-making practices and the Commission's procedures required the Commission to suspend discovery procedures 5 months into this proceeding and to direct Commission Staff to conduct and examination of Falmouth's financial records and to prepare a report of its findings. Commission Staff filed this report on May 11, 2007. Questions regarding Commission Staff's findings could not be resolved nor could a hearing on the

proposed rate be scheduled to allow sufficient time for a decision to be rendered by June 25, 2007 and afford all parties due process”

Immediately after closing Case No. 2006-00403, the Commission opened Case No. 2007-00257 to continue its investigation into Falmouth’s proposed wholesale water service tariffs. In that proceeding, the Commission accepted and approved a Settlement Agreement jointly submitted by Falmouth and the Districts pursuant to which Falmouth would continue charging the current rate of \$1.98 per 1,000 gallons to the Districts.

**MOTION TO AMEND PROCEDURAL SCHEDULE TO
INCLUDE THE PRODUCTION OF A STAFF AUDIT REPORT**

The contents of Staff’s report filed in Case No. 2006-00403 were instrumental in the successful negotiation of the Settlement Agreement that was entered into by Falmouth and the District’s and approved by the Commission in Case No. 2007-00257. Staff’s report contained 41 pages of findings and conclusions drawn by Staff using information gathered during Staff’s field audit performed in person at Falmouth’s office. This is the same information that Staff was not able to collect and decipher from Falmouth’s written responses to data requests.

Like in the previous case, a Staff field audit and Staff report in the case at bar will provide the Commission with insight and understanding of Falmouth’s operations and records that will not likely be attainable using only written interrogatories. The procedural schedule requires Intervenors to file testimony on or before November 1, 2024. Staff’s simultaneous filing of a report on this date will provide the Commission with information that will likely be unavailable otherwise. The Districts request that Staff perform an audit and issue a report summarizing its findings on or before November 1, 2024.

**MOTION TO EXPAND SCOPE OF STAFF'S
INITIAL REQUEST FOR INFORMATION**

Staff's First Request for Information to Falmouth shown as Appendix B of the Commission's August 12, 2024 Order includes eight items. It is significantly abbreviated when compared to the Commission's First Request for Information to the City of Falmouth in Case No. 2006-00403 where 33 items were requested. To fully develop the record in this proceeding and to afford all parties of record due process, the Districts request that the Commission expand the scope of Staff's First Request for Information to Falmouth in this proceeding to include items that are crucial to the Commission's review of Falmouth's proposed tariff. For the Commission's convenience and consideration, the Districts have prepared and provided a draft Supplement to Commission Staff's First Request for Information to the City of Falmouth that is appended hereto.

Respectfully submitted,

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APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2024-00244 DATED AUGUST XX, 2024

**SUPPLEMENT TO COMMISSION STAFF'S FIRST REQUEST
FOR INFORMATION TO THE CITY OF FALMOUTH**

The city of Falmouth (Falmouth), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on August 30, 2024. The Commission directs Falmouth to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

¹ Case No. 2020-00085, Electronic Emergency Docket Related to the Novel Coronavirus COVID 19 (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

Falmouth shall make timely amendment to any prior response if Falmouth obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Falmouth fails or refuses to furnish all or part of the requested information, Falmouth shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Falmouth shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide in written verified form the direct testimony of each witness that Falmouth intends to rely on in this matter.
2. Provide Falmouth's chart of accounts.
3. Provide the independent auditor's reports for Falmouth for the fiscal years ending in 2019, 2020, 2021, 2022, and 2023.
4. Provide the adjusted trial balances showing separately unaudited account balances, audit adjustments and audited balances for all accounts for the fiscal years ending in 2019, 2020, 2021, 2022 and 2023 for Falmouth's enterprise funds. Indicate the accounts that are associated with the Water Division.

5. a. For the fiscal years ending 2023 and 2024, provide Falmouth's general ledgers. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions. Indicate the accounts associated with Falmouth's Water Division. If available, provide a copy of the requested general ledgers in Excel spreadsheet format with all rows and columns unprotected and accessible.

b. If not shown separately in the revenue accounts included in the general ledgers provided in response to item a. above, provide the monthly water revenues reported in 2023 and 2024 separating retail sales from wholesale sales.

6. For each outstanding bond issuance related to Falmouth's water operations, provide:

- a. the bond ordinance or resolution authorizing its issuance;
- b. an amortization schedule;
- c. a detailed explanation of why the debt was incurred; and
- d. a complete copy of long-term debt workpapers prepared by the independent auditor that completed Falmouth's audit report for the fiscal year ended June 30, 2023.

7. List all persons on Falmouth's payroll during fiscal year ended 2023. For each employee, state their job duties, total wages paid during the fiscal year, current salary or wage rate, and the percentage of work hours spent performing duties for each city division (e.g., water, sewer, police department, public works) during the fiscal year. If Falmouth'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 Falmouth derived the estimate.

8. For each employee listed in Item 7. above, describe how Falmouth allocated their payroll and payroll overhead charges to each city division for fiscal year ended 2023. 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.

9. a. List all joint or shared costs that Falmouth incurred during the fiscal year ended 2023. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among divisions for the proposed test period.

c. Provide all internal memorandums, policy statements, correspondence, and documents related to the allocation of joint and shared costs.

10. Provide Falmouth's depreciation schedules with the water assets shown separately.

11. Provide the "Enterprise Funds Uniform Financial Information Report" that Falmouth submitted to the Kentucky Department of Local Government for the fiscal years ending in 2019, 2020, 2021, 2022, and 2023.

12. a. Identify all persons or entities to which Falmouth provides wholesale water service.

b. For each customer listed above, provide for each of the previous 24 months its monthly water usage and the amount that Falmouth charged it for service.

13. a. Provide the maximum capacity of Falmouth's water treatment plant.

b. For each of the customers listed in response to Item 12(a), state:

(1) The amount of Falmouth's total water treatment plant capacity currently reserved for that customer; and

(2) The minimum and maximum quantity of water (in gallons) that the customer may purchase in a month under the terms of its present water purchase contract with Falmouth.

c. Describe the changes, if any, that Falmouth expects within the next three years in the level of water treatment capacity reserved for each of the customers listed in Item 12(a), and state the reason(s) for Falmouth's expectations.

14. a. Provide who owns the master meter(s) through which Falmouth provides water to the customers listed in Item 12(a).

b. Provide the number of master meters that Falmouth uses to provide water service to each of the customers listed in Item 12(a).

c. Provide who is responsible for maintaining these master meters.

15. Provide a system map showing all Falmouth water facilities that are used to serve the customers listed in Item 12(a). This map shall show, at a minimum, all master meters, pumping stations, storage tanks, water transmission mains, and water distribution mains used to serve the customers listed in Item 12(a). The size of all mains shall be clearly indicated on this map.

16. Provide the portion, if any, of Falmouth's water main(s) that serve the customers listed in Item 12(a) and are gravity fed.

17. a. List Falmouth's water sales (in gallons) for each month of the previous 36 months for each of its wholesale customers and for its retail customers.

b. List the total amount billed by Falmouth for water service for each month of the previous 36 months to each of its wholesale customers and to its retail customers.

18. Provide Falmouth's current rate schedule for its retail customers and each of its wholesale customers.

19. Falmouth last proposed to increase the wholesale rates charged to Pendleton County Water District and East Pendleton Water District in the year 2006. Provide Falmouth’s retail rates that were being charged in the year 2006. Indicate each date that those rates have been increased to arrive at the retail rates provided in response to item 18. above.

20. Complete the table below:

Falmouth	Gallons of Water											
	July 2022	Aug. 2022	Sept. 2022	Oct. 2022	Nov. 2022	Dec. 2022	Jan. 2023	Feb. 2023	March 2023	April 2023	May 2023	June 2023
Plant Use												
Line Loss												
Main Flushing												
Sold to Retail												
Sold to Pendleton District												
Sold to East Pendleton												
Total Water Produced												

21. Provide copies of Falmouth’s daily water plant statistic reports for the fiscal year ended 2023 that show metered gallons of raw water entering the water treatment plant and metered gallons of finished water exiting the water treatment plant.

22. a. State whether Falmouth provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments or protection services).

b. For each unmetered service, estimate the number of gallons provided to each entity separately for the fiscal year ended 2023 and explain the basis for the estimates.

22. a. State whether Falmouth provides unbilled water service to any entities (e.g., service to municipal buildings, fire departments or protection services).

b. List each unbilled water service account and provide the amount of revenue lost in each month of the fiscal year ended 2023 separately.

23. a. State whether cash collected from water sales is comingled with cash accounts used by other Falmouth operating divisions or is this cash deposited directly into bank accounts designated as water funds only.

b. If cash from water sales is not comingled with other accounts and kept separate from other Falmouth cash accounts, provide a list of each cash transfer from the water cash accounts to other Falmouth operating divisions that occurred in the fiscal years ended 2019, 2020, 2021, 2022, 2023, and 2024.

c. State whether Falmouth has ever used cash collected from water sales to pay for any cost that was not related to providing water service. If yes, provide the amounts paid and describe the item purchased.

24. Provide a cash receipts and disbursements ledger for Falmouth's water and sewer operations for the fiscal years ending 2019, 2020, 2021, 2022, 2023, and 2024.

25. Provide the ordinance or resolution of the city council or similar governing body in which the proposed rate adjustment was approved.

26. Provide the minutes of each city council meeting in 2023 and 2024 in which a proposed rate adjustment to Falmouth's retail and wholesale water customers was discussed.

27. Provide a copy of all correspondence, electronic mail messages, or other written communications between Falmouth and its wholesale customers since January 1, 2022, regarding revisions to Falmouth's wholesale rate.

28. Provide all contracts, if any, for water service between Falmouth and its wholesale customers that have not been filed with the Commission.

29. a. State the annual effect of the proposed rate adjustment on Falmouth's revenues from wholesale water service to each of its wholesale water service customers.

b. Show all calculations made and state all assumptions used to derive the response to Item 29(a). Provide this in Excel format with all rows and columns accessible and formulas unhidden.