

YUNKER & ASSOCIATES

Doris J. Elliott, Paralegal  
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January 12, 2009

Stephanie L. Stumbo  
Executive Director  
PUBLIC SERVICE COMMISSION  
P.O. Box 615  
Frankfort, KY 40602-0615

RECEIVED  
JAN 14 2009  
PUBLIC SERVICE  
COMMISSION

Re: Case No. 2008-00176, Parksville Water District v.  
City of Danville

Dear Ms. Stumbo:

Enclosed please find the original and ten (10) copies of the City of Danville's Response to Parksville Water District's Data Requests for filing in the above-referenced proceeding. Thank you for your attention to this filing. Please contact me if you have any questions.

Sincerely,



Doris J. Elliott

Enclosures

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JAN 14 2009

PUBLIC SERVICE  
COMMISSION

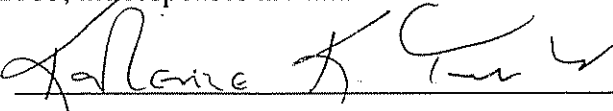
In the Matter of:

Alleged Failure of the City of Danville to Comply with  
KRS 278.160 and 278.180 and the Commission's Order  
of August 10, 1994 in Administrative Case No. 351

Case No. 2008-00176

**Response of the City of Danville  
to Parksville Water District's Data Requests**

The City of Danville hereby responds to the data requests served by Parksville Water  
District on December 30, 2008; the responses are attached hereto.

By: 

ATTORNEYS FOR THE CITY OF DANVILLE

SHEEHAN, BARNETT, DEAN &  
PENNINGTON, P.S.C.  
114 S. Fourth St.  
P. O. Box 1517  
Danville, KY 40423-1517  
859-236-2641

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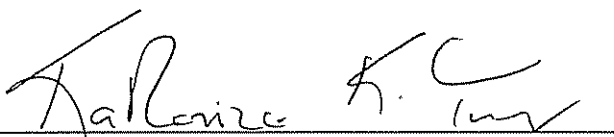
CERTIFICATE OF FILING AND SERVICE

I hereby certify that on this the 12th day of January, 2009, the original and ten (10) copies  
of this response were mailed for filing with the Commission, and a copy was sent by first-class  
U.S. mail for service on:

William L. Stevens, Esq.  
Taylor & Stevens  
326 W. Main St.  
P. O. Box 901  
Danville, KY 40423

Harold C. Ward  
Garrard County Water Association, Inc.  
315 Lexington Rd.  
P. O. Box 670  
Lancaster, KY 40444

John N. Hughes, Esq.  
124 W. Todd St.  
Frankfort, KY 40601

  
Attorney for the City of Danville

STATE OF KENTUCKY     )  
                                  )  
                                  )   SS:  
COUNTY OF BOYLE     )

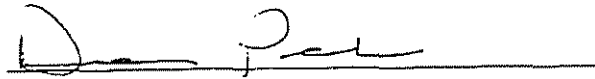
CERTIFICATION

The following responses on behalf of the City of Danville were prepared by me or under my supervision and they are true and correct to the best of my knowledge, information and belief formed after reasonable inquiry.



PAUL STANSBURY, City Manager

SUBSCRIBED and SWORN to before me, a Notary Public, this the 9 day of  
January, 2009.



My commission expires: March 7, 2009

**Request:**

1. Simpson County Water District v. City of Franklin, 872 S.W.2d 460 (Ky. 1994), states that “where contracts have been executed between a utility and a city ... KRS 278.200 is applicable and requires that by so contracting the City relinquishes the exemption and is rendered subject to ... [Commission] rates and service regulation.”

Does Danville agree that it is subject to PSC regulation of its wholesale water contracts among Parksville, Lake Village Water Association and Garrard County Water Association? If no, explain.

**Objection:** This request calls for a legal conclusion or analysis. Without waiver of the objection, Danville provides the following response through its counsel.

**Response:**

Danville contends that the *Simpson* decision was in error, and the reversal, limitation, or modification of the decision is warranted by substantial, good-faith arguments. Danville agrees, however, that the 1994 *Simpson* decision contains the quoted language and that, in general, the decision interprets KRS 278.200 to give the Commission jurisdiction over wholesale contracts for a city to supply a KRS 278.010(3) utility. Danville does not know of any reason to dispute that Parksville Water District (“Parksville”), Lake Village Water Association, and Garrard County Water Association are such KRS 278.010(3) utilities.

**Request:**

2. In its response in this proceeding dated July 17, 2008, paragraph 6, Danville denies that it has violated (or failed to comply with) applicable Kentucky statutes or regulations or the 8/11/94 Order in Administrative Case No. 351 - and states that it is unclear how any of the actions or omissions alleged (or reported as alleged) in the 5/22/08 Order would constitute a violation of applicable Kentucky statutes or regulation's or of the 8/11/94 Order.

Explain each action Danville has taken in increasing its wholesale rates to Parksville that support its denial of a violation of PSC regulations of Administrative Case 351.

**Objection:** This request calls for a legal conclusion or analysis, and appears to be based on a misunderstanding of the cited denial. Without waiver of the objection, Danville provides the following response through its counsel.

**Response:**

The 8/11/94 Order in Administrative Case No. 351 did not propose or promulgate any regulations relating to wholesale contracts between cities and utilities. The Order (p.2) did direct that rate schedules submitted by the 9/10/94 deadline "conform to Commission Regulation 807 KAR 5:011." Danville submitted a rate schedule to the Commission on or about September 9, 1994 (*see* Case Management System docket), which conformed to 807 KAR 5:011. Another action Danville took in Administrative Case No. 351 supporting the denial in the referenced sentence (on pages 2-3 of its Response) is the submission of an unsigned copy of the contract with Parksville to the Commission on or about September 9, 1994, which was stamped the Commission as "effective" October 1994; the contract between Danville and Parksville was entered into as of October 7, 1994, superceding an agreement dated December 1, 1964.

Copies of the stamped, unsigned document and of the Water Purchase Contract entered into as of October 7, 1994, were attached as part of the 5/2/08 Response to Parksville Request No. 7 in Case No. 2007-00405.

**Request:**

3. Has Danville located any document that provides Parksville with notice of any of the rate adjustments that are the subject of this proceeding? If so, provide.

**Response:**

Yes, there is evidence of such notice in addition to the newspaper publication on or about September 30, 1997, of Ordinance No. 1536. (See Parksville Response to Danville Request No. 15 in Case No. 2007-00405.) Most particularly, in the Commission's files for Case No. 97-453, Danville found:

- a) A letter from City Engineer Luther Galloway, dated August 27, 1997, and addressed to "Lake Village Water Company", enclosing "a rate study and a proposed rate increase" — which included the proposed ordinance which became Ordinance No. 1536. This rate study and the proposed ordinance were Exhibit 6 to the Application marked as filed with the Commission on December 15, 1997 (provided as an attachment to the Response to Request No. 4). Internal evidence and Danville's practice of providing the same prior notice to Parksville as is provided to Lake Village indicates that there was a similar letter to Parksville (perhaps not filed in the Commission case because Parksville did not intervene or object to the proposed restructuring of rates).
- b) Statements regarding newspaper notice to Lake Village and Parksville of the Ordinance No. 1536 amendments to base rates and a copy of the newspaper notice, in §§ 10(3) & (4) of the Application marked as filed with the Commission on December 15, 1997 (provided as an attachment to the Response to Request No. 4).

**Request:**

4. Has Danville located any document that provides the PSC with notice of a wholesale water adjustment to Parksville? If so, provide.

**Response:**

Yes. In addition to the contract stamped as “effective” that was submitted in Administrative Case No. 351 (*see* Response to Request No.2), there is evidence of such notice as follows:

- a) A letter from Jordan Neel to City Engineer Luther Galloway, dated October 3, 1994 (attached), and acknowledging receipt and review of the wholesale water sales contract between Danville and Parksville;
- b) An Application, marked as filed with the Commission on December 15, 1997, in Case No. 97-453, excerpts from which are attached hereto.

Other documents in the Commission’s files may be responsive to this Request. For example, the 11/14/07 Order initiating Case No. 97-453 suggests that Danville had already submitted something to the Commission about the proposed base rates restructuring.



COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KY 40602  
(502) 564-3940

October 3, 1994

Mr. Luther Galloway  
City Engineer  
P. O. Box 670  
Danville, Kentucky 40423

RE: Wholesale Water Sales Contract Between the City  
of Danville and the Parksville Water District

Dear Mr. Galloway:

The above referenced contract has been received and  
reviewed by appropriate members of the Commission's Staff  
without objection.

An accepted copy is enclosed for your files.

Sincerely,

A handwritten signature in cursive script that reads "Jordan Neel".

Jordan Neel  
Public Utility Rate Analyst  
Rates and Research Division

/bt

Enclosure

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

OCT 06 1994

PURSUANT TO 207 KAR 5.011,  
SECTION 9 (1)

BY: Jordan Neel  
FOR THE PUBLIC SERVICE COMMISSION



**Application for Proposed  
Increase in Wholesale  
Water Rates**

**City of Danville**

**To**

**Public Service Commission**

**PSC Case No. 97-453**

**RECEIVED**  
DEC 15 1997  
PUBLIC SERVICE  
COMMISSION

Section 10 (3): Form of notice to customers

A notice was published for Lake Village and Parksville which followed the sample notice. The notices included the percentage of rate increase, names of the wholesale customers, current rates, proposed rates, effective dates of the increase, and a statement that informed any persons with a substantial interest in the matter may, within thirty days after the publication of this notice, request to intervene.

Section 10 (4): Manner of Notification

Notices to Lake Village and Parksville were published in the Advocate-Messenger once a week for three consecutive weeks. The first publication was made within 7 days of the filing of the application with the commission. The actual publication was sent to the commission.

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Outstanding bonus  
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family's security

Apply Immediately  
Call Monday &  
Wednesday Only  
9:00 am to 8:00 pm  
606-734-9431  
Ask for Mr. Sanders

Non-contact on-site  
Instructor, Danville Health  
Care Training School  
1714 Parryville Rd. Suite  
520 606-236-1133.

Funded by the Job Train-  
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Council. An Equal Oppor-  
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Aids and Services availa-  
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great opportunity to be  
full time plus a chance  
at a \$50 cash bonus as  
well as a \$25 referral  
bonus

Apply in person at

**SDS**

**Service, Inc.**

100 Factory Lane  
and check out details.  
Janitorial openings with  
immediate placement

### LEGAL

#### NOTICE

The City of Danville has filed a proposed rate schedule which will increase by 3.3 percent the rates which it currently charges to Lake Village Water Association for water service. The City of Danville currently charges Lake Village Water Association as follows: For the first 20,000 cubic feet of water consumed, a rate of \$1.68 per 100 cubic feet; for the next 30,000 cubic feet of water consumed, a rate of \$1.35 per 100 cubic feet; for the next 100,000 cubic feet of water consumed, a rate of \$1.05 per 100 cubic feet; for the next 300,000 cubic feet of water consumed, a rate of \$0.96 per 100 cubic feet; any amount over 500,000 cubic feet of water consumed, a rate of \$0.91 per 100 cubic feet for water service. The City of Danville proposes to charge Lake Village Water Association as follows: For the first 20,000 cubic feet of water consumed, a rate of \$1.68 per 100 cubic feet; for the next 30,000 cubic feet of water consumed, a rate of \$1.44 per 100 cubic feet; for the next 100,000 cubic feet of water consumed, a rate of \$1.20 per 100 cubic feet; for the next 300,000 cubic feet of water consumed, a rate of \$1.06 per 100 cubic feet; any amount over 500,000 cubic feet of water consumed, a rate of \$0.96 per 100 cubic feet for water service effective November 15, 1997. An additional twenty (20) percent surcharge will be added to the total bill.

The rates contained in this notice are the rates proposed by the City of Danville. The Public Service Commission, however, may order rates to be charged that differ from the proposed rates contained in this notice.

Any corporation, association, or person with a substantial interest in the matter may, by written request, within thirty (30) days after publication or mailing of this notice of the proposed rate changes request to intervene. Intervention may be granted beyond the thirty (30) day period for good cause shown. Any person who has been granted intervention by the Public Service Commission may obtain copies of rate application and any other filings made by the City of Danville by contacting Luther Galloway, City Engineer, at City Hall, Danville, 238-1200, Ext. 120.

Any person may examine the City of Danville's rate application and any other filings at its main office at 445 West Main Street, Danville, or at the Public Service Commission's Offices at 730 Schenkel Lane, Frankfort, Kentucky.

### LEGAL

#### NOTICE

The City of Danville has filed a proposed rate schedule which will increase by 6.5 percent the rates which it currently charges to Parksville Water Association for water service. The City of Danville currently charges Parksville Water Association as follows: For the first 20,000 cubic feet of water consumed, a rate of \$1.68 per 100 cubic feet; for the next 30,000 cubic feet of water consumed, a rate of \$1.35 per 100 cubic feet; for the next 100,000 cubic feet of water consumed, a rate of \$1.05 per 100 cubic feet; for the next 300,000 cubic feet of water consumed, a rate of \$0.96 per 100 cubic feet; any amount over 500,000 cubic feet of water consumed, a rate of \$0.91 per 100 cubic feet for water service. The City of Danville proposes to charge Parksville Water Association as follows: For the first 20,000 cubic feet of water consumed, a rate of \$1.68 per 100 cubic feet; for the next 30,000 cubic feet of water consumed, a rate of \$1.44 per 100 cubic feet; for the next 100,000 cubic feet of water consumed, a rate of \$1.20 per 100 cubic feet; for the next 300,000 cubic feet of water consumed, a rate of \$1.06 per 100 cubic feet; any amount over 500,000 cubic feet of water consumed, a rate of \$0.96 per 100 cubic feet for water service effective November 15, 1997. An additional twenty (20) percent surcharge will be added to the total bill.

The rates contained in this notice are the rates proposed by the City of Danville. The Public Service Commission, however, may order rates to be charged that differ from the proposed rates contained in this notice.

Any corporation, association, or person with a substantial interest in the matter may, by written request, within thirty (30) days after publication or mailing of this notice of the proposed rate changes request to intervene. Intervention may be granted beyond the thirty (30) day period for good cause shown. Any person who has been granted intervention by the Public Service Commission may obtain copies of rate application and any other filings made by the City of Danville by contacting Luther Galloway, City Engineer, at City Hall, Danville, 238-1200, Ext. 120.

Any person may examine the City of Danville's rate application and any other filings at its main office at 445 West Main Street, Danville, or at the Public Service Commission's Offices at 730 Schenkel Lane, Frankfort, Kentucky.

Section 10 (6): Application Information

Section 10 (6) (a): Description of Adjustments

This is the rate study which describes all cost centers and revenue projections for the entire system. See the Rate Study, Exhibit 6.

Section 10 (6) (b): Witness Testimony

Witness testimony is contained in Exhibit 8.

Section 10 (6) (c): Does not apply to City of Danville because the gross annual revenue is not less than \$1,000,000.

Section 10 (6) (d): New Rate Effects

The current revenue for the five wholesale customers is \$438,188.40 per year. With the new rate the revenue would be \$483,906.00, which is an increase of \$45,717.60 annually or 10.43% increase. These figures are based on an average bill calculation and will vary due to variations in consumptions

Section 10 (6) (e): New Rate Effects of Bills

The five wholesale customers currently consume 599,177 cu ft of water on the average per month. The average bill per month for the five customers is \$7,303.14. With the new rate, the average bill per month would be \$8,065.10, which is a difference of \$761.96 per month.

Section 10 (6) (f): The City of Danville is not a local exchange company.

Section 10 (6) (g): Customer Bill Analysis

The Customer Bill Analysis is covered in Exhibit 7, pages one and two.

Section 10 (6) (h): Summary of Utility's Determination of Revenues

A summary of the utility's determination of revenues is covered in Table One of the Witness Testimony, Exhibit 8. As well as the long range Financial projection in presented in page 200 of the Annual Budget, Exhibit 4.

Section 10 (6) (i): Reconciliation of Rate Base

The reconciliation of rate base is covered in the Report on Water and Sewer Rates, pages one and two, Exhibit 6.

# Exhibit 6

## REPORT ON WATER AND SEWER RATES CITY OF DANVILLE MAY 1997

This report is developed as a routine part of the budget preparation. We generally look at water and sewer rates on a biannual basis in order to provide for the long range financial soundness of the utility system. We will first look at the water system.

### WATER SYSTEM

The City of Danville first began its water system in 1889 with the design and construction of a dam and treatment plant on the Dix River near the confluence of Clarks Run. The current system averages production of 3,043,000 gallons of water per day with a maximum capacity of 10,000,000 gallons per day. Current water usage of 2,624,000 gallons per day gives a water loss of 13.8% of water production. Following is the cost and revenues projected for the current 1996-97 budget year.

REVENUE 1,699,053 (estimated)

### EXPENDITURES BY CATEGORY (1996-1997 ESTIMATED)

ADMINISTRATION	125,545
BILLING AND SUPPORT SERVICES	236,549
WATER PRODUCTION	642,744
WATER DISTRIBUTION	308,147
DEBT PAYMENTS	506,406
TOTAL	<u>1,819,391</u>

The charge system will be based on a minimum bill for the management and billing services of the system. These include Board cost and operations, executive operations, engineering services, legal services, customer services and billing services. These costs will be distributed to the residential and commercial customers of the system which are the primary demand of this part of the system. All other services will be calculated on a rate base on water consumption for all customers.

As shown in TABLE ONE the annual water usage is 124,539,380 Cubic Feet. Following are the rate calculations

TABLE ONE  
WATER USAGE

RESIDENTIAL - COMMERCIAL

CONSUMPTION per Month	WATER		SEWER	
	CUSTOMERS	AVERAGE	CUSTOMERS	AVERAGE
0-300 cuft	723	3.33	613	2.85
300-1800 cuft	4314	6.16	3745	8.10
1800-3800 cuft	1123	12.72	918	15.71
over 3800 cuft	288	67.19	230	99.50
TOTAL	6448		5506	

INDUSTRIAL

# Customers	WATER USAGE (cuft)	WATER Avg bill per month	SEWER USAGE (cuft)	SEWER Avg bill per month
12	156,599	1817.69	85,345	1905.17

WHOLESALE

# Customers	WATER USAGE (cuft)	WATER Avg bill per month	SEWER USAGE (cuft)	SEWER Avg bill per month
3	599,177	7,305.14	773,039	10,501.70

TOTAL ANNUAL USAGE (Cubic Feet)

	WATER	SEWER
Residential/Commercial	66,038,560	60,046,084
Industrial	22,550,190	12,289,729
Wholesale	55,950,630	9,276,470
TOTAL	124,539,380	81,612,283







## WASTEWATER SYSTEM

The wastewater system for the City of Danville was begun in the early 1900's with three central collection and treatment locations. These locations were eliminated and a new treatment plant built in the 1940's. This system was a trickling filter system. It was eliminated in 1980 with construction of the existing treatment plant. This plant is a carousel, extended aeration, activated solids system. This plant was built as a 2.7 mgd plant. In 1988 the city added a Facultative Lagoon System to supplement the treatment plant and aid in the handling of inflow and infiltration. The capacity of this plant is now 3.5 mgd. Design is currently under way to expand the capacity of this plant to 6.5 mgd at a cost of approximately \$5.5 million. The following rate comparison will look at current demand of funds as well as project the future rate requirements for future debt service on the wastewater treatment expansion project. The following information is based on expenditures and revenue for 1996-1997 budget year ending June 30, 1997. Therefore, some estimating is required.

TOTAL REVENUE 1,286,551

### SUMMARY OF CUSTOMER BASE

	# Customers	Usage (cuft)	Revenue (estimated)
Residential/Commercial	5505	60,046,084	926,617
Industrial	12	12,289,729	256,917
Wholesale	1	9,276,470	103,017
TOTAL		<u>81,612,283</u>	<u>1,286,551</u>

### DISTRIBUTION OF EXPENDITURES

	ANNUAL	INDUSTRIAL	ALL USERS
Operations and Maintenance	738,095	50,137	687,958
Billing & Admin Support	192,982	34,357	158,725
Capital replacement (5 year)	74,000		74,000
Debt Service	146,791		146,791
Technical Support & Mgmt	95,358		95,358
TOTAL	<u>1,247,226</u>		

## CALCULATION OF RATES

### MINIMUM BILL

Residential Commercial =  $\$158,725 / 5505 / 12 = \$2.40$  per month

Industrial =  $\$34,257 / 12 / 12 = \$237.90$  per month

### RATES FOR USAGE

Operations, Maintenance, Billing and Replacement Costs

RATE =  $857,316 / 81,612,283 \times 100$   
\$1.05047 per 100 cuft

Debt Service:

RATE =  $146,791 / 81,612,283 \times 100$   
\$0.179864 per 100 cuft

Industrial Pretreatment Program Charges:

RATE =  $50,137 / 12,289,729 \times 100$   
\$0.407959 per 100 cuft

Total Rates

Residential/Commercial/Wholesale = 1.05047  
Industrial = 1.63830

Comparison of Existing Rate Effective July 1, 1997

	EFFECTIVE	CALCULATED	
RES/COMM/WHOLESALE	1997-98 Rates	Calculated Rate	Units
Min	\$2.88	\$2.40	each month
Usage rate	1.1687	1.25054	per 100 cuft
Industrial			
min	\$325.99	\$237.90	each month
Usage rate	1.5120	1.63830	per 100 cuft

Actual revenue generated by the two rates are within 1.1%. We do not recommend any change in the rate for any customers at this time.

## FUTURE RATES

Future Projected Rates 1999-2000

### DISTRIBUTION OF EXPENDITURES

	ANNUALLY	INDUSTRIAL	ALL USERS
Operation and Maintenance	806,345	53,145	753,200
Billing and Administrative Support	221,930	39,396	182,534
Capital Replacement (5 year)	101,480		101,480
Debt Service	427,295		427,295
Technical Support & Management	165,000		165,000
TOTALS	1,722,050		

### CALCULATION of RATES

#### MINIMUM BILLS

Residential/Commercial =  $182,539 / 5505 / 12 = \$2.76$  per month

Industrial =  $39,396 / 12 / 12 = \$273.58$  per month

#### RATES FOR USAGE

Operations, Maintenance, Billing and Replacement Cost

RATE =  $1,019,600 / 81,612,283 \times 100$   
\$1.24942 per 100 cuft

#### DEBT SERVICE

RATE =  $427,295 / 81,612,283 \times 100$   
\$0.52357 per 100 cuft

Industrial Pretreatment Program Charges

Rate =  $39,396 / 12,239,729 \times 100$   
0.3206 per 100 cuft

Total rates Effective July 1, 1999

Residential/Commercial/Wholesale \$1.77299  
Industrial \$2.09355

## SUMMARY

This study indicates an immediate water rate increase is necessary. Both short and long range projections indicate the water and sewer fund will be into financial difficulty if present trends continue. If rates are not increased all replacements must be suspended. Current rates for in city residents have not been increased since 1981. The city currently is subsidizing each gallon of water sold to in city residents by about 41% of the total cost to provide the service.

Current public service commission regulation of wholesale rates makes it difficult to continue to support the water system by increasing rates out of the city. The current system will not continue without increase rates to provide additional revenue.

The wastewater system is currently in good shape. The current year should show a small surplus of revenue over expenditures of 3.1%. Since a small rate increase is in place for July 1, 1997, the revenue should keep pace with projected expenditure increases. The current planned project for the expansion of the plant is slated for completion in 1999. There will be some increase in the cost of operations as well as debt service. This study shows the expected cost of about 38%. This number is subject to adjustments in the future based on actual costs and revenues.

Attached you will find a proposed ordinance with the calculated rates to be charged.



ORDINANCE NO

AN ORDINANCE AMENDING CDO SECTION 18-79 and 18-80 PERTAINING TO WATER WORKS AND SANITARY SEWAGE TREATMENT

WHEREAS, the Board of Commissioners deems it necessary and appropriate to make certain adjustments in the water, sewer, and surcharge rates charged to consumers:

NOW THEREFORE, be it ordained by the City of Danville, Kentucky as follows:

SECTION ONE

Sec. 18-79 Waterworks and Water Distribution

There is hereby adopted, established and ordained, and there shall be collected a revised schedule of rates and charges for use of the services and facilities rendered by the municipal waterworks and water distribution system, except as otherwise provided by contract, as follows:

(1) Monthly water rates for residential and commercial consumers:

Consumption (cuft)	Rate (per 100 cuft)
First 300-100	<del>\$1.25</del> <u>\$4.05</u>
Next 200	\$1.35
Next 1,500	\$1.01
Next 3,000	<del>\$0.85</del>
All over 3000-1800	<del>\$0.70</del> <u>\$0.86</u>

The minimum monthly rate is \$4.05 plus sewer charge.

(2) Monthly Water Rates for Wholesale Consumers:

Consumption (cuft)	Rate (per 100 cuft)
First 20,000	\$1.68
Next 80,000	<del>\$1.35</del> <u>1.41</u>
Next 100,000	<del>\$1.35</del> <u>1.20</u>
Next 300,000	<del>\$0.96</del> <u>1.06</u>
All over 500,000	<del>\$0.91</del> <u>0.86</u>

The minimum monthly rate is \$448.00.

(3) Monthly water rates for industrial consumers:

Consumption (cuft)	Rate (per 100 cuft)
First 20,000	\$1.60
Next 80,000	<del>\$1.28</del> <u>1.41</u>
Next 100,000	<del>\$0.99</del> <u>1.27</u>
Next 300,000	<del>\$0.85</del> <u>1.06</u>
All over 500,000	<del>\$0.80</del> <u>0.86</u>

SECTION TWO CDO Section 13-30, entitled 'Sanitary Sewage Collection Treatment and Disposal Facilities' is hereby amended to read as follows:

There is hereby adopted, established, and ordained, and there shall be collected, a schedule of rates and charges for use of the services and facilities rendered by the municipal sanitary sewage collection treatment and disposal facilities of the City as follows:

~~A - Effective Date of Sewer Service Charge July 1, 1995 -~~

~~(1) - The monthly sewer service charge for residential and commercial consumers shall be as follows:~~

<del>Minimum Monthly Rate -</del>	<del>\$2.00 -</del>	<del>\$2.00 -</del>
<del>Consumption (CuFt)</del>	<del>Rate -</del>	
<del>ALL OVER 20 CuFt -</del>	<del>1.0001 per cu ft -</del>	<del>of water consumed -</del>

~~The monthly sewer service charge for wholesale and industrial consumers shall be as follows or by special agreement with the City in which case all water used by the consumer is not returned to the sanitary sewer or where liquid sewage water is of unusual strength or composition, except that in such case which have national pollutant discharge elimination system permit shall be required to pay the sewer service charge on that portion of water returned to the sewer system each year. Each user must have a sewage meter or some approved means of measuring the amount returned to the system and the city shall have the right to inspect the meter at all reasonable times and may require the user to sample and maintain records containing pertinent data and information, which records shall be subject to inspection by the city and provided to the city upon request.~~

<del>Minimum Monthly Rate -</del>	<del>\$150.00 -</del>	<del>\$204.00 -</del>
<del>Consumption -</del>	<del>Rate -</del>	
<del>All Over 200 CuFt -</del>	<del>\$1.400 -</del>	<del>\$1.400 per 100 CuFt -</del>
		<del>of water consumed -</del>

~~B - Effective Date of Sewer Service Charge July 1, 1996 -~~

~~(1) - The monthly sewer service charge for residential and commercial consumers shall be as follows:~~

<del>Minimum Monthly Rate -</del>	<del>\$2.00 -</del>	<del>\$2.00 -</del>
<del>Consumption (CuFt)</del>	<del>Rate -</del>	
<del>ALL OVER 20 CuFt -</del>	<del>1.0001 per cu ft -</del>	<del>of water consumed -</del>

The monthly sewer service charge for wholesale and industrial consumers shall be as follows or by special agreement with the City in cases where all water used by the consumer is not returned to the sanitary sewer or where liquid sewage wastes are of unusual strength or composition, except that any such user which has a national pollutant discharge elimination system permit shall be required to pay the sewer surcharge only on the amount of water returned to the sewer system; such user must have a sewage meter or an approved means of measuring the amount returned to the system and the city shall have the right to inspect the meter at all reasonable times; the user shall require the user to compile and maintain records containing pertinent data and information which records shall be subject to inspection by the city and provided to the city upon request.

Minimum Monthly Rate	<del>\$1,500.00</del>	<del>\$500.00</del>
Consumption	Rate	
All Over 100 CuFt	<del>1.0000</del>	<del>per 100 CuFt</del>
	of water consumed	

Effective Date of sewer service charge July 1, ~~1997~~ 1999

- The monthly sewer service charge for residential and commercial consumers shall be as follows:

Minimum Monthly rate	<del>\$2.00</del>	<u>\$2.75 per month</u>
Consumption (CuFt)	Rate	
ALL OVER 0.0 CuFt	<del>1.1667 per 100 CuFt</del>	<u>1.1667 per 100 CuFt</u>
	of water consumed	

The monthly sewer service charge for wholesale and industrial consumers shall be as follows or by special agreement with the City in cases where all water used by the consumer is not returned to the sanitary sewer or where liquid sewage wastes are of unusual strength or composition, except that any such user which has national pollutant discharge elimination system permit shall be required to pay the sewer surcharge only measuring the amount returned to the system and the city shall have the right to inspect the meter at all reasonable times, and may require the user to compile and maintain records containing pertinent data and information, which records shall be subject to inspection by the city and provided to the city upon request.

Minimum Monthly Rate	<del>175.00 per month</del>	<u>173.58 per month</u>
Consumption	Rate	
All Over 0.0 CuFt	<del>1.5000 per 100 CuFt</del>	<u>1.0058 per 100 CuFt</u>
	of water consumed	

SECTION THREE: A new section under CDO Section 18-87 is hereby created to read as follows:

Commencing effective July 1, 1998, the water rates contained in CDO section 18-79 and the Sewer Rates contained in CDO section 18-80 shall be adjusted annually in accordance with KRS 83A-075 as may be amended from time to time, so as to allow automatic cost of living adjustments based on the purchasing power of the dollar as computed by the State of Kentucky Finance and Administration Cabinet.

SECTION FOUR: If any section, sentence, clause or portion of this Ordinance is for any reason declared illegal, unconstitutional, or otherwise invalid, such declaration shall not affect the remaining portion hereof.

SECTION FIVE: This Ordinance shall become effective immediately upon passage and publication as required by law.

GIVEN FIRST READING AND PASSED \_\_\_\_\_

GIVEN SECOND READING AND PASSED \_\_\_\_\_

PUBLISHED BY DANVILLE ADVOCATE MESSENGER \_\_\_\_\_

\_\_\_\_\_  
JOHN W. D. BOWLING, MAYOR

ATTEST

\_\_\_\_\_  
Cindi Woolum, CITY CLERK



**Request:**

5. Has Danville located any document that revises its wholesale tariff with the PSC since 2005? If so, provide.

**Response:**

No.

**Request:**

6. Has Danville completed a records search for the documents referred to in items 3, 4, and 5? If no, explain what remains to be searched and the expected time for the search to be completed.

**Response:**

Danville has made a reasonable search for and of files labeled or indexed as relating to Parksville Water District or which might contain materials sent to the Commission. Correspondence or other communications with Parksville or the Commission are not matters of which Danville always makes or regularly preserves a record, and — other than for a copy of the letter addressed to Parksville like the letter to Lake Village described in the Response to Request No. 3 — a further search for documents is not ongoing.

**Request:**

7. If Danville has no documents to support the giving of notice of a wholesale water increase to Parksville or a tariff filing with the PSC for such an adjustment, what facts will Danville rely on to support its argument that it has not violated PSC regulations applicable to wholesale water adjustments.

**Response:**

Danville has such documents. *See* the Responses to Requests Nos. 2-4.

**Request:**

8. At the time of each of the adjustments of the wholesale water rate by Danville to Parksville, who was responsible for the approval of the increases and for the implementation of the rate increases?

**Response:**

Ordinance No. 1536 §3 specifies an annual purchasing power adjustment to water rates, beginning July 1, 1998. The Ordinance was considered and passed by Danville's Board of Commissioners on September 9 (first reading) and 23 (second reading), 1997.

The City Engineer receives information for computation of the adjustments, in the form of a percentage value. The City Engineer calculates the rate calculations based on this percentage, and the Accounts Receivable Clerk then implements the changes to the rate codes in the billing software.

*See also 5/2/08 Responses to Parksville Request Nos. 4 & 14 in Case No. 2007-00405.*

**Request:**

9. Explain how each wholesale water rate increase was implemented, the persons responsible for each aspect of the implementation of the rate increases and the procedures followed in increasing the rate. Provide any written procedures, instructions or other documentation related to the implementation of the wholesale water rate increases.

**Response:**

*Usual Purchasing Power Adjustment Procedure*

The City Engineer received the percentage information. The City Engineer then took this percentage and increased/decreased the rate by multiplying the old rate by this percentage to establish a new rate — as indicated in the table below.

<b>SECTION 1</b>	Adjustment	3.260%	3.385%	2.582%	4.081%
(1) Monthly water rates for residential and commercial consumers:					
<b>Consumption</b>	<b>FY05 Rate</b>	<b>FY06 Rate</b>	<b>FY 2007 Rate</b>	<b>FY 2008 Rate</b>	<b>FY 2009 Rate</b>
<b>(cu.ft.)</b>	<b>(per 100 cu.ft.)</b>	<b>(per 100 cu.ft.)</b>	<b>(per 100 cu.ft.)</b>	<b>(per 100 cu.ft.)</b>	<b>(per 100 cu.ft.)</b>
First 100	\$4.709	\$4.863	\$5.027	\$5.157	\$5.368
Next 200	\$1.568	\$1.619	\$1.674	\$1.717	\$1.787
Next 1500	\$1.175	\$1.213	\$1.254	\$1.286	\$1.339
All over 1,800	\$0.999	\$1.032	\$1.067	\$1.095	\$1.139
Minimum Monthly	\$4.709	\$4.863	\$5.027	\$5.157	\$5.368
(2) Monthly water rates for industrial consumers:					
<b>Consumption</b>	<b>FY05 Rate</b>	<b>FY06 Rate</b>	<b>FY 2007 Rate</b>	<b>FY 2008 Rate</b>	<b>FY 2009 Rate</b>
<b>(cu.ft.)</b>	<b>(per 100 cu.ft.)</b>	<b>(per 100 cu.ft.)</b>	<b>(per 100 cu.ft.)</b>	<b>(per 100 cu.ft.)</b>	<b>(per 100 cu.ft.)</b>
First 20,000	\$371.928	\$384.053	\$397.053	\$407.305	\$423.927
Next 80,000	\$1.674	\$1.729	\$1.788	\$1.834	\$1.909
Next 100,000	\$1.509	\$1.558	\$1.610	\$1.652	\$1.719
Next 300,000	\$1.231	\$1.271	\$1.314	\$1.348	\$1.403
All Over 300,000	\$0.999	\$1.032	\$1.067	\$1.095	\$1.139
Minimum Monthly	\$371.928	\$384.053	\$397.053	\$407.305	\$423.927

A hard copy of such a table, showing both the old rate and the new rate, was then given to the Accounts Receivable (AR) Clerk. The AR Clerk generated printouts of all computer rate codes. (The computer rate code is the water rate in the format used by the computer to generate billings). The hard copies of these rate codes were then hand-edited by the AR

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Witness: Paul Stansbury, City Manager

Clerk based on the new published rates so that the computer rate code will reflect the new rates. This hand-edited printout was then checked by the City Engineer for two things: 1) all rate codes were changed correctly and 2) rate codes that were not to be changed did not get edited. The AR Clerk then inputted these changes to the computer rate codes. A fresh printout of the computer rate codes were made and then rechecked by both the City Engineer and the AR Clerk. Billing then proceeded with the new rates.

Note: Copies of hand-edited computer rate code sheets were provided as part of the 5/2/08 Response to Parksville Request No. 5 in Case No. 2007-00405.

*September 2005 Adjustment*

The difference between the above-stated procedure and the actual events of 2005 were slight, but had significant impacts to the computer rate codes. The prior year, the AR Clerk was being trained in the process and so had the supervision and assistance of the person formerly responsible for such AR Clerk tasks. When the computer printouts of the computer rate codes were edited by the AR Clerk, several codes were edited that should not have been. In addition, the only review of the codes prior to input into the computer system was performed by the Administrative Analyst in the City Engineer's office. The Analyst searched only for computational errors, not having been made specifically aware to look for changes to rates that should not receive changes. The AR Clerk then implemented the changes, and thus rate changes to the wholesale customers went into effect. Because the corresponding wholesale computer rate codes were changed in 2005, the process then directed that the same treatment (*i.e.* adjustment) be given in the subsequent years, 2006 and 2007.

**Request:**

10. Provide the names, job titles and job descriptions of each person involved in the authorization, approval, implementation and billing of each of the wholesale water adjustments under review in this case.

**Response:**

The persons mentioned by job title in the Responses to Request Nos. 8 and 9, who were in those jobs at the relevant time (2005-07) are as follows:

<u>Job Title</u>	<u>Name</u>	<u>Job Description</u>
City Engineer	Earl Coffey	responsibilities as set out in Ordinance No. 1252, as amended (codified as CDO §§ 2-76 to 2-81), including supervision of the operation and maintenance of the waterworks and sewer system
Accounts Receivable Clerk	Pam (Carrender) Baker	prepare bills from meter readings, tax assessments, or other receipts; perform other book-keeping functions
Administrative Analyst	Erica Engle	generally assist City Engineer

**Request:**

11. Provide all resolutions, ordinances or other correspondence between the Danville utility department and the Danville city commission related to the approval, authorization or implementation of the wholesale water rate adjustments subject of this case.

**Response:**

The Board of Commissioners does not send resolutions, ordinances, or “other correspondence” to its water utility operations. However, Ordinance No. 1536 (codified in relevant part as CDO §18-87) was the starting point for the purchasing power adjustments made to water rates, as more fully described in the Response to Request Nos. 8 and 9.

A copy of Ordinance No. 1536 is attached. *See also 5/2/08 Response to Parksville Request No. 6 in Case No. 2007-00405.*



ORDINANCE NO 1536

AN ORDINANCE AMENDING CDO SECTION 18-79 and 18-80 PERTAINING TO WATER WORKS AND SANITARY SEWAGE TREATMENT.

WHEREAS, the Board of Commissioners deems it necessary and appropriate to make certain adjustments in the water, sewer, and surcharge rates charged to consumers;

NOW THEREFORE, be it ordained by the City of Danville, Kentucky as follows:

SECTION ONE:

Sec. 18-79 Waterworks and Water Distribution

There is hereby adopted, established and ordained, and there shall be collected a revised schedule of rates and charges for use of the services and facilities rendered by the municipal waterworks and water distribution system, except as otherwise provided by contract, as follows:

- (1) Monthly water rates for residential and commercial consumers.

Consumption (cuft)	Rate (per 100 cuft)
First 300-100	<del>\$1.35</del> 4.05
Next 200	\$1.35
Next 1,500	\$1.01
<del>Next 2,000</del>	<del>\$0.81</del>
All over 3800-1800	<del>\$0.79</del> 0.86

The minimum monthly rate is \$4.05 plus sewer charge.

- (2) Monthly Water Rates for Wholesale Consumers:

Consumption (cuft)	Rate (per 100 cuft)
First 20,000	\$1.68
Next 80,000	<del>\$1.35</del> 1.44
Next 100,000	<del>\$1.05</del> 1.20
Next 300,000	<del>\$0.96</del> 1.06
All over 500,000	<del>\$0.91</del> 0.86

The minimum monthly rate is \$448.00.

- (3) Monthly water rates for industrial consumers:

Consumption (cuft)	Rate (per 100 cuft)
First 20,000	\$1.60
Next 80,000	<del>\$1.38</del> 1.44
Next 100,000	<del>\$0.99</del> 1.27
Next 300,000	<del>\$0.83</del> 1.06
All over 500,000	<del>\$0.50</del> 0.86

MNA083

SECTION TWO CDO Section 18-80, entitled "Sanitary Sewage Collection Treatment and Disposal Facilities" is hereby amended to read as follows:

"There is hereby adopted, established, and ordained, and there shall be collected, a schedule of rates and charges for use of the services and facilities rendered by the municipal sanitary sewage collection treatment and disposal facilities of the City as follows:

~~A. Effective Date of Sewer Service Charge July 1, 1995.~~

~~(1) The monthly sewer service charge for residential and commercial consumers, shall be as follows:~~

<del>Minimum Monthly Rate</del>	<del>\$2.33</del>	<del>\$2.52</del>
<del>Consumption (CuFt)</del>	<del>Rate</del>	
<del>ALL OVER 0.0 CuFt</del>	<del>1.0581 per cu ft</del>	<del>of water consumed</del>

~~The monthly sewer service charge for wholesale and industrial consumers, shall be as follows or by special agreement with the City in cases where all water used by the consumer is not returned to the sanitary sewer or where liquid sewage wastes are of unusual strength or composition, except that any such user which has a national pollutant discharge elimination system permit shall be required to pay the sewer surcharge only on that portion of water returned to the sewer system; such user must have a sewage meter or some approved means of measuring the amount returned to the system and the city shall have the right to inspect the meter at all reasonable times, and may require the use to compile and maintain records containing pertinent data and information, which records shall be subject to inspection by the city and provided to the city upon request.~~

<del>Minimum Monthly Rate</del>	<del>\$150.00</del>	<del>\$324.86</del>
<del>Consumption</del>	<del>Rate</del>	
<del>All Over 0.00 CuFt</del>	<del>\$1,9429</del>	<del>-\$1,4017 per 100 Cuft</del> <del>of water consumed</del>

~~B. Effective Date of Sewer Service Charge July 1, 1996~~

~~(1) The monthly sewer service charge for residential and commercial consumers, shall be as follows:~~

<del>Minimum Monthly Rate</del>	<del>\$2.33</del>	<del>\$2.70</del>
<del>Consumption (CuFt)</del>	<del>Rate</del>	
<del>ALL OVER 0.0 CuFt</del>	<del>1.0581-1.1134</del>	<del>per cuft</del> <del>of water consumed</del>

MNA083

The monthly sewer service charge for wholesale and industrial consumers shall be as follows or by special agreement with the City in cases where all water used by the consumer is not returned to the sanitary sewer or where liquid sewage wastes are of unusual strength or composition, except that any such user which has a national pollutant discharge elimination system permit shall be required to pay the sewer surcharge only on that portion of water returned to the sewer system; such user must have a sewage meter or some approved means of measuring the amount returned to the system and the city shall have the right to inspect the meter at all reasonable times, and may require the user to compile and maintain records containing pertinent data and information which records shall be subject to inspection by the city and provided to the city upon request.

Minimum Monthly Rate	<del>\$150.00</del>	<del>\$325.00</del>
Consumption	Rate	
All Over 0.00 CuFt	<del>1.9420</del>	<del>1.1560 per 100 Cu Ft of water consumed.</del>

-G-A. Effective Date of sewer service charge July 1, 1997 1999

- The monthly sewer service charge for residential and commercial consumers, shall be as follows:

Minimum Monthly rate	<del>\$2.88</del>	<u>\$2.76 per month</u>
Consumption (CuFt)	Rate	
ALL OVER 0.0 CuFt	<del>1.1687 per 100 CuFt</del>	<u>\$1.7730 per 100 CuFt of water consumed.</u>

The monthly sewer service charge for wholesale and industrial consumers, shall be as follows or by special agreement with the City in cases where all water used by the consumer is not returned to the sanitary sewer or where liquid sewage wastes are of unusual strength or composition, except that any such user which has national pollutant discharge elimination system permit shall be required to pay the sewer surcharge only measuring the amount returned to the system and the city shall have the right to inspect the meter at all reasonable times, and may require the user to compile and maintain records containing pertinent data and information, which records shall be subject to inspection by the city and provided to the city upon request.

Minimum Monthly Rate	<del>325.00 per month</del>	<u>273.58 per month</u>
Consumption	Rate	
All Over 0.0 CuFt	<del>1.5420 over 100 Cuft</del>	<u>2.0935 per 100 CuFt of water consumed.</u>

SECTION THREE : A new section under CDO Section 18-87 is hereby created to read as follows:

Commencing effective July 1, 1998, the water rates contained in CDO section 18-79 and the Sewer Rates contained in CDO section 18-80 shall be adjusted annually in accordance with KRS 83A.075 as may be amended from time to time, so as to allow automatic cost of living adjustments based on the purchasing power of the dollar as computed by the State of Kentucky Finance and Administration Cabinet.

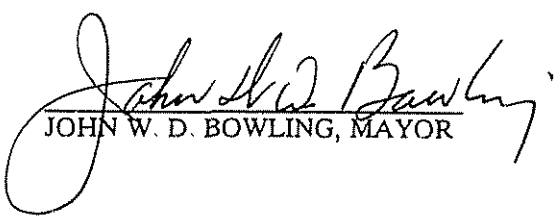
SECTION FOUR: if any section, sentence, clause or portion of this Ordinance is for any reason declared illegal, unconstitutional, or otherwise invalid, such declaration shall not affect the remaining portion hereof.

SECTION FIVE: This Ordinance shall become effective immediately upon passage and publication as required by law.


GIVEN FIRST READING AND PASSED 9-9-97

GIVEN SECOND READING AND PASSED 9-23-97

PUBLISHED BY DANVILLE ADVOCATE MESSENGER 9-30-97

  
JOHN W. D. BOWLING, MAYOR

ATTEST:

  
Cindi Woolum, CITY CLERK

**Request:**

12. Have any responses by Danville to Parksville's data requests in Case No. 2007-00405 changed? If yes, explain.

**Response:**

Not other than as supplemented or updated in these responses.

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Witness: (not applicable)

**Request:**

13. Does Danville dispute Parksville's calculation of the overcharges in the wholesale billing rate attached? If yes, provide the corrections to Parksville's calculations.

**Objection:** The attached table does not refer to "overcharges," and Danville cannot usefully comment on Parksville's calculations without knowing more about the inputs than the cubic feet or without disclosure of the formulas used. In its data requests to Parksville, Danville has asked for clarification and additional information about the attached table that might allow useful statements about accuracy of or corrections to the calculations. Without waiver of the objection, Danville provides the following response.

**Response:**

Yes. Danville disputes that the "Difference" calculated between the Total "Calculated on Current Rates" and the Total "Actual Charged Amount" is an overcharge.

The difference shown by Parksville in the right-most column of the table appears to have two sources: (1) the changes to the basic rates through application of a purchasing power adjustment and (2) the way the "Water Amount" is calculated. These two sources combine in the months from December 2006 through May 2008, and Parksville does not identify their respective contributions to the "Difference" column.

(1) With respect to the changes to the basic rates through application of a purchasing power adjustment, Danville disputes that the successive adjustments in 2005, 2006, and 2007 individually or collectively resulted in an overcharge to Parksville. The basic rates were changed again in June 2008 back to their pre-adjusted levels.

It does appear that Parksville applied the currently-charged basic rates to the stated "Cubic Feet" supplied to derive the "Water Amount" (3rd column from the left) for each month in the table, from August 2005 through November 2008.

(2) With respect to the way the "Water Amount" is calculated, Danville disputes that its method of calculating the basic charge for water supplied resulted in any overcharge to Parksville.

In December 2006, a second meter was installed for Danville's supply to Parksville. Beginning with the December 2006 row, Parksville's calculation of the "Water Amount" (3rd column from the left) appears to combine the volumes from the two meters and applies the declining block rates to that combined volume, rather than applying the block rates to the volume measured for each meter and then combining the basic charge totals.