

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)	CASE NO.
WATER SERVICE RATES OF THE CITY OF)	2019-00080
PIKEVILLE TO MOUNTAIN WATER DISTRICT)	

ORDER

On February 21, 2019, the city of Pikeville (Pikeville), through counsel, filed with the Commission a revised tariff sheet setting forth proposed adjustments to its existing rates for wholesale water service to Mountain Water District (Mountain District), effective April 5, 2019. On March 4, 2019, Mountain District, through counsel, submitted a letter requesting that the Commission open a formal proceeding to investigate the reasonableness of the proposed rate, establish a procedural schedule, and ensure that the proposed rate is not placed into effect before the Commission conducts a hearing.¹ The Commission issued an Order on March 28, 2019, establishing a formal proceeding, suspending the rates until September 4, 2019, making Mountain District a party to the proceeding and providing others until April 15, 2019, to intervene.

In objecting to Pikeville's proposed rate increase, Mountain District did not make objections as to any specific cost or expense incurred by Pikeville. Rather, Mountain District indicated that Pikeville failed to provide any evidence from which it could

¹ KRS 278.200 provides only for a hearing "in the manner prescribed in this [KRS 278] chapter." Pursuant to KRS 278.190(1), "[t]he commission may, upon its own motion, or upon complaint . . . hold a hearing concerning the reasonableness of the new rates." Thus, a hearing is not required. The filing of a revised tariff by a municipal utility "requires an opportunity for a hearing by the Commission before the proposed revision can become effective" Case No. 2011-00419, *Proposed Revision of Rules Regarding the Provision of Wholesale Water Service by the City of Versailles to Northeast Woodford Water District* (Ky. PSC Aug. 12, 2014) Order at 11.

determine that the rates were reasonable. To facilitate the production of such evidence, the Commission has prepared the request for information attached hereto and established the attached procedural schedule. Pikeville shall respond to the requests for information attached hereto on or before June 21, 2019. The parties shall follow the procedural schedule, attached hereto, to facilitate the orderly administration of this matter.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein, shall be followed in this proceeding.

2. The information requested in Appendix B to this order shall be filed by the date set forth in Appendix A.

3. Responses to requests for information, including those set forth in Appendix B, shall be appropriately bound, tabbed, and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record, and the original and six copies to the Commission.

a. 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 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.

b. Any party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is not incorrect in any material respect.

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

d. Careful attention should be given to copied 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.

e. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

4. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

5. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video transcript shall be made of the hearing.

6. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

7. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission

ENTERED
JUN 10 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00080 DATED **JUN 10 2019**

Pikeville shall file its response to the Commission's request
for information attached hereto no later than 6/21/2019

Intervenors and Commission Staff shall serve the first request for information
upon Pikeville no later than..... 7/01/2019

Pikeville shall file with the Commission and serve upon all parties
of record its responses to the first set of request for information
no later than..... 7/15/2019

Intervenor testimony, if any, shall be filed with the Commission
and served upon all parties of record in verified prepared form
no later than..... 7/22/2019

Parties and Commission Staff shall serve requests for information
upon Intervenors no later than 7/29/2019

Intervenors shall file with the Commission and serve upon all other parties
of record and Commission Staff their responses to requests for information
no later than..... 8/13/2019

Public Hearing at the Commission's offices at 211 Sower Boulevard, Frankfort,
Kentucky, for the purpose of cross-examination of witnesses To Be Announced

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2019-00080 DATED **JUN 10 2019**

1. Provide in written verified form the direct testimony of each witness that Pikeville intends to rely on in this matter.
2. Provide the independent auditor's reports for Pikeville for the fiscal years ending in 2016, 2017, and 2018.
3. Provide the 12-month test period upon which Pikeville bases its proposed rate adjustment and explain why this test period was chosen.
4. Explain whether Pikeville is using a historical or forecasted test year.
 - a. If historical, provide Pikeville's general ledgers for the proposed test period and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions. If available, provide a copy of the requested general ledgers in Excel spreadsheet format with all rows and columns unprotected and accessible.
 - b. If forecasted, provide Pikeville's general ledger for the most recently concluded fiscal year, all support documents for the base year, and for assumptions and inputs used in the forecast. These support documents will include all check registers and spreadsheets used to record and track financial transactions. If available, provide a copy of the requested general ledger in Excel spreadsheet format with all rows and columns unprotected and accessible.
5. For each outstanding revenue bond issuance related to Pikeville's 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 calculation of the annual debt service payment, including all required payments to debt service reserve accounts or funds, for each of the next three years.

6. List all persons on Pikeville's payroll during the proposed test period. 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 Pikeville'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 Pikeville derived the estimate.

7. For each employee listed in Item 6 above, describe how Pikeville allocated their payroll and payroll overhead charges to each city division for the proposed test period. 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.

8. a. List all joint or shared costs that Pikeville incurred during the proposed test period. 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.

9. Provide depreciation schedules for the water divisions. A separate schedule shall be provided for each division.

10. Provide an adjusted trial balance and audit adjustments for the proposed test year and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.a and 4.b.

11. Provide the "Enterprise Funds Uniform Financial Information Report" that Pikeville submitted to the Kentucky Department of Local Government for the fiscal years ending in 2016, 2017, and 2018.

12. a. Identify all persons or entities to which Pikeville 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 Pikeville charged it for service.

13. a. Complete the table below:

Water Main Size	Total Miles Of Line	Miles Of Lines Used By Pikeville To Serve Its Wholesale Customers
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Explain who pays for the water main(s) that Pikeville uses to deliver water to Pikeville's wholesale customer(s).

14. a. Provide the maximum capacity of Pikeville's water treatment plant.

- b. For each of the customers listed in response to Item 12(a), state:
 - (1) The amount of Pikeville'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 Pikeville.
 - c. Describe the changes, if any, that Pikeville 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 Pikeville's expectations.
15. a. Provide who owns the master meter(s) through which Pikeville provides water to the customers listed in Item 12(a).
- b. Provide the numbers of master meters that Pikeville's provide water service to each of the customers listed in Item 12(a).
- c. Provide who is responsible for maintaining these master meters.
16. Provide a system map showing all Pikeville's 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.
17. Provide the portion, if any, of Pikeville's water main(s) that serve the customers listed in Item 12(a) and are gravity fed.
18. a. List Pikeville'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 Pikeville for water service for each month of the previous 36 months to each of its wholesale customers and to its retail customers.

19. Provide Pikeville’s current rate schedule for its retail customers and each of its wholesale customers.

20. Complete the table below:

Pikeville	Gallons for Test Period	Gallons for Fiscal Year Ending June 30, 2005
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail		
Sales to Mountain District		
Sales to Southern Water District		
Sales to Other Wholesale Customers		
Total Produced and Purchased		
Total Sold		

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

b. If unmetered service is provided, then for each type of service, estimate the percentage of the total unmetered amount.

22. Provide a copy of the cost-of-service study (COSS), if any, upon which the proposed rate is based in Excel format with all columns and rows accessible and all formulas unhidden.

23. a. Identify the person who prepared the COSS, if any, upon which the proposed rate is based.

b. Provide the preparer’s *curriculum vitae*.

c. List all cases before the Commission in which the preparer has submitted a COSS.

d. List all utilities (municipal or public) for which the preparer has prepared a COSS. For each utility, identify the type of utility service (water or sewer) for which the report was prepared.

24. If the proposed rate is not based upon a COSS, describe how Pikeville determined the proposed wholesale rate and state who participated in the determination and provide all supporting documentation for the proposed rate.

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 2018 and 2019 in which a proposed rate adjustment to Pikeville's wholesale customers was discussed.

27. Provide a copy of all correspondence, electronic mail messages, or other written communications between Pikeville and its wholesale customers since January 1, 2018, regarding revisions to Pikeville's wholesale rate.

28. Provide all contracts, if any, for water service between Pikeville, Mountain District, or Southern Water and Sewer District that have not been filed with the Commission.

29. a. State the annual effect of the proposed rate adjustment on Pikeville'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.

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