

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC PROPOSED ADJUSTMENT OF)	CASE NO.
THE WHOLESALE WATER SERVICE RATES OF)	2020-00265
THE CITY OF HARRODSBURG WATER DEPT.)	

ORDER

On July 14, 2020, the City of Harrodsburg Water Dept. (Harrodsburg) filed with the Commission a revised tariff sheet setting forth proposed adjustments to its existing rate for wholesale water service to Lake Village Water Association (Lake Village Water) and North Mercer Water District (North Mercer District) effective on September 1, 2020. Harrodsburg proposed to increase the wholesale water rates by 2.3 percent based on the Consumer Price Index (CPI).

Having considered the proposed rate adjustments and being otherwise sufficiently advised, the Commission finds that an investigation will be necessary to determine the reasonableness of the proposed rates and that such an investigation cannot be completed by September 1, 2020. Pursuant to KRS 278.190, the Commission will, therefore, suspend the effective date of the proposed rates for five months, up to and including February 1, 2021.

The Commission finds that Lake Village Water and North Mercer District, as wholesale purchasers of Harrodsburg, have a significant interest in this proceeding and should be served with a copy of this Order and presented an opportunity to intervene in this proceeding. The Commission further finds that Lake Village Water and North Mercer

District, or any other interested party, should file any motion to intervene, signed by counsel, no later than September 15, 2020.

The Commission finds that Harrodsburg, within seven days of the date of entry this Order, should have its counsel enter an appearance into this proceeding that contains the name, address, telephone number, fax number, and electronic mail address of counsel.

As 807 KAR 5:001, Section 8, permits the Commission to direct the use of electronic filing procedures for proceedings that we initiate on our own motion, we find that electronic filing procedures should be used. As such, Harrodsburg, and Lake Village Water and North Mercer District should they intervene, should follow the procedures set forth in 807 KAR 5:001, Section 8, when filing any document or paper in this matter.

The Commission further finds that a procedural schedule should be established to review the reasonableness of the proposed rates. The procedural schedule is attached hereto as Appendix A to this Order and is incorporated herein.

IT IS THEREFORE ORDERED that:

1. This proceeding is established to investigate the reasonableness of Harrodsburg's proposed wholesale rate increase to Lake Village Water and North Mercer District.
2. Harrodsburg's proposed wholesale rate is suspended for five months from September 1, 2020, up to and including February 1, 2021.
3. Lake Village Water and North Mercer District, or any other interested party, may, by counsel, file motions to intervene no later than September 15, 2020.
4. Harrodsburg, and Lake Village Water and North Mercer District if they file motions for intervention, shall each, by counsel, enter an appearance in this proceeding

within seven days of the date of entry of this Order. The entry of appearance shall include the name, address, telephone number, fax number, and electronic mail address of counsel.

5. Unless otherwise ordered by the Commission, the procedures set forth in 807 KAR 5:001, Section 8, related to service and electronic filing of papers shall be followed in this proceeding.

6. Pursuant to 807 KAR 5:011, Section 8(9), within seven days of entry of this Order, Harrodsburg shall file by electronic means a written statement that it waives any right to service of Commission Orders by United States mail and that it or its authorized agents possesses the facilities to receive electronic submissions. The paper original shall be filed within 30 days of the ending of the current state of emergency caused by COVID-19.¹

7. Unless a party granted leave to intervene states its objection to the use of electronic filing procedures in a motion for intervention, the party shall:

a. Be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; and

b. Within seven days of the date of entry of an Order of the Commission, granting intervention, file with the Commission a written statement that:

(1) It, or its authorized agent possesses the facilities to receive electronic transmissions; and

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

(2) Sets forth the electronic mail address to which all electronic notices and messages related to this proceeding should be served.

8. If a party objects to the use of electronic filing procedures and the Commission determines that good cause exists to excuse that party from the use of electronic filing procedures, service of documents on that party and by that party shall be made in accordance with 807 KAR 5:001, Section 4(8).

9. The procedural schedule set forth in Appendix A to this Order shall be followed.

10. Harrodsburg shall file responses to the information request set forth in Appendix B no later than September 15, 2020.

11. a. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. The paper original shall be filed within 30 days of the ending of the current state of emergency caused by COVID-19.

b. Each response shall include the name of the witness responsible for responding to the questions related to the information provided and shall be answered under oath or, for representatives of a public or private corporation or a partnership or an 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.

c. A 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 now incorrect in any material respect.

d. 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.

e. 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.

f. Any 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 the personal information cannot be read.

12. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding which is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented, or the issues and facts that the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of utility service consumed by the movant or a general statement

regarding the potential impact of possible modification of rates will not be deemed sufficient to establish a special interest. In addition, any motion to intervene after the date established in the procedural schedule shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

13. Harrodsburg shall give notice of the hearing in accordance with the provisions set forth in 807 KAR 5:001, Section 9(2). In addition, the notice of the hearing shall include the following statement: "This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov." At the time publication is requested, Harrodsburg shall forward a duplicate of the notice and request to the Commission.

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

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

16. The Commission does not look favorably upon motions of 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.

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

By the Commission



ATTEST:

A handwritten signature in blue ink, consisting of stylized, cursive letters that appear to be "H. C. L." or similar.

Acting Executive Director

APPENDIX A

ATTACHMENT TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00265 DATED AUG 20 2020

Requests for intervention shall be filed no later than 09/15/2020

Harrodsburg shall file its response to the Commission's request
for information attached hereto no later than..... 09/15/2020

Initial requests for information to Harrodsburg
shall be filed no later than 09/29/2020

Harrodsburg shall file responses to
initial requests for information no later than..... 10/13/2020

Intervenor Testimony, if any, in verified prepared
form shall be filed no later than..... 10/27/2020

All requests for information to Intervenors shall
be filed no later than..... 11/10/2020

Intervenors shall file responses to requests for
information no later than..... 11/24/2020

Harrodsburg or any Intervenor shall request either a
hearing or that the case be submitted for decision
based on the record no later than 12/01/2020

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2020-00265 DATED AUG 20 2020

1. Provide in written verified form the direct testimony of each witness that Harrodsburg intends to rely on in this matter.
2. Provide the independent auditor's reports for Harrodsburg for the fiscal years ending in 2017, 2018, and 2019.
3. Provide the 12-month test year upon which Harrodsburg bases its proposed rate adjustment and explain why this test year was chosen.
4. Explain whether Harrodsburg is using a historical or forecasted test year.
 - a. If historical, provide Harrodsburg's general ledgers for the proposed test year 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 Harrodsburg'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. 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.

6. For each outstanding revenue bond issuance related to Harrodsburg'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.

7. List all persons on Harrodsburg's payroll during the proposed test year. 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 Harrodsburg'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 Harrodsburg derived the estimate.

8. For each employee listed in Item 7 above, describe how Harrodsburg allocated their payroll and payroll overhead charges to each city division for the proposed test year. 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. Using a table format, provide the following actual full-year salary information for each employee listed in Item 7 above, identified by employee number and job title, for the fiscal years 2015 through 2020 (in gross dollars—not hourly or monthly rates). The employee salary information for each year shall be provided in a separate table. Provide the requested tables in an Excel spreadsheet format with all columns and rows unprotected and accessible.

- a. Regular salary or pay.
- b. Overtime pay.
- c. Vacation payout.
- d. Standby/Dispatch pay.
- e. Bonus pay.
- f. Other amounts paid and reported on the employees' W-2 (specify).

10. Using a table format, provide the regular hours and overtime hours for each employee listed in Item 7 above, for the fiscal years 2015 through 2020. The employee time information for each year shall be provided in a separate table. Provide the requested table(s) in an Excel spreadsheet format with all columns and rows unprotected and accessible.

11. Using a table format, provide the following actual full-year benefit information for each employee listed in Item 7 above, identified by employee number and job title, for the fiscal years 2015 through 2020. The employee's benefit information for each year shall be provided in a separate table. Provide the requested tables in an Excel spreadsheet format with all columns and rows unprotected and accessible.

- a. Health care benefit cost for each employee.

- (1) Amount paid by Harrodsburg.
 - (2) Amount paid by each employee.
- b. Dental benefits cost for each employee.
 - (1) Amount paid by Harrodsburg.
 - (2) Amount paid by each employee.
- c. Vision benefits cost for each employee.
 - (1) Amount paid by Harrodsburg.
 - (2) Amount paid by each employee.
- d. Life insurance cost for each employee.
 - (1) Amount paid by Harrodsburg.
 - (2) Amount paid by each employee.
- e. Accidental death and disability benefits for each employee.
 - (1) Amount paid by Harrodsburg.
 - (2) Amount paid by each employee.
- f. Defined Contribution - 401 (k) or similar plan cost for each employee.

Provide the amount paid by Harrodsburg.

- g. Defined Benefit Retirement cost for each employee.
 - (1) Amount paid by Harrodsburg.
 - (2) Amount paid by each employee.
- h. Cost of any other benefit available to an employee (specify).

12. Provide a listing of all health care plan categories available to Harrodsburg's employees, i.e., single, married no dependents, single parent with dependents, family,

etc. For each employee listed in Item 7 above, identify the type of health insurance coverage the employees are provided.

13. a. List all joint or shared costs that Harrodsburg incurred during the proposed test year. 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 year.

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

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

15. Provide the "Enterprise Funds Uniform Financial Information Report" that Harrodsburg submitted to the Kentucky Department of Local Government for the fiscal years ending in 2017, 2018, 2019, and 2020.

16. a. Identify all persons or entities to which Harrodsburg 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 Harrodsburg charged for service.

17. a. Complete the table below(add additional size mains if needed):

Water Main Size	Total Miles of Line	Miles of Line Used by Harrodsburg to Serve Wholesale Customers
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

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

18. Provide the maximum capacity of Harrodsburg's water treatment plant.

a. For each of the customers listed in response to Item 16.a, state:

(1) The amount of Harrodsburg'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 Harrodsburg.

b. Describe the changes, if any, that Harrodsburg expects within the next three years in the level of water treatment capacity reserved for each of the customers listed in Item 16.a, and state the reason(s) for Harrodsburg's expectations.

c. Identify the owner of the master meter(s) through which Harrodsburg provides water to the customers listed in Item 16.a. Include the numbers of master meters that Harrodsburg provides wholesale water service to each of the wholesale customers,

and identify the party responsible (Harrodsburg or wholesale customer) for maintaining these master meters.

19. Provide a system map showing all of Harrodsburg's facilities that are used to serve the wholesale customers listed in Item 16.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 16.a. The size of all mains shall be clearly indicated on this map.

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

21. a. List Harrodsburg's water sales (in gallons) for each month of the test year and for the previous 24 months for each of its wholesale customers and for its retail customers.

b. List the total amount billed by Harrodsburg for water service for each month of the test year and the previous 24 months to each of its wholesale customers and to its retail customers.

22. Provide Harrodsburg's current rate schedule for its retail customers and for each of its wholesale customers.

23. Complete the table below:

		Gallons for Fiscal Year
<u>Harrodsburg</u>	<u>Test Period</u>	<u>Ending June 30, 2020</u>
Plant Use		
Line Loss		
Retail Sales		
Sales to Lake Village Water		
Sales to North Mercer District		
Sales to Other Wholesale Customers		
Total Produced and Purchased		
Total Sold		

24. State whether Harrodsburg provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments or protection services). For each type of unmetered service, estimate the percentage of the estimated unmetered gallons provided in the test year.

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

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.

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

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

28. Provide the minutes of each city council meeting in calendar years 2018, 2019, and 2020 in which a proposed rate adjustment to Harrodsburg's wholesale customers was discussed.

29. Provide a copy of all correspondence, electronic mail messages, or other written communications between Harrodsburg and its wholesale customers since January 1, 2020, regarding revisions to Harrodsburg's wholesale rates.

30. Provide all contracts and amendments, if any, for water service between Harrodsburg, Lake Village Water, or North Mercer District that have not been filed with the Commission.

31. State the annual effect of the proposed rate adjustment on Harrodsburg's revenues from wholesale water service to each of its wholesale water service customers. Show all calculations made and state all assumptions used to derive this response. Provide this in Excel spreadsheet format with all rows and columns accessible and formulas unhidden.

32. Refer to Harrodsburg's July 15, 2020 letter. Provide all supporting evidence that the Consumer Price Index is reflective of the costs incurred by Harrodsburg.

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Mayor
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