

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|------------|
| ELECTRONIC TARIFF FILING OF THE UTILITY |) | |
| COMMISSION OF THE CITY OF LONDON |) | CASE NO. |
| REVISING ITS WHOLESALE WASTEWATER |) | 2022-00126 |
| SERVICE RATES |) | |

ORDER

On March 23, 2022, the Utility Commission of the city of London (London) filed with the Commission a revised tariff sheet setting forth a proposed increase to its existing wholesale wastewater rates to Wood Creek Water District (Wood Creek District) effective May 1, 2022. London's current monthly wholesale wastewater rate to Wood Creek District is \$2.94 per 1,000 gallons. London's proposal increases the wholesale wastewater rate by \$1.46 per 1,000 gallons, or 49.66 percent, to \$4.40 per 1,000 gallons. London responded to a request for information from Commission Staff on March 30, 2022. That response is attached to this Order as Appendix B, and will be included in the evidentiary record of this matter.

KRS 278.030 provides that a utility may collect fair, just and reasonable rates and that the service it provides must be adequate, efficient and reasonable. Having considered the proposed rate adjustment and being otherwise sufficiently advised, the Commission finds that an investigation will be necessary to determine the reasonableness of the proposed rate adjustment and that such an investigation cannot be completed by May 1, 2022. Pursuant to KRS 278.190, the Commission will, therefore,

suspend the effective date of the proposed rates for five months, up to and including September 30, 2022.

The Commission finds that Wood Creek District, as a wholesale purchaser of London, has 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 directs London to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ in which the Commission mandated the use of electronic filing procedures listed in 807 KAR 5:001, Section 8. The Commission finds that electronic filing procedures should be used, consistent with the filing procedures set forth in Case No. 2020-00085.

The Commission further finds that a procedural schedule should be established to review the reasonableness of the proposed tariffs. 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 London's proposed wholesale wastewater rate increase to Wood Creek District.
2. The proposed tariff is suspended for five months from May 1, 2022, up to and including September 30, 2022.

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 original physical copies of the filings required by 807 KAR 5:001, Section 8).

3. London shall, 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.

4. 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.

5. Pursuant to 807 KAR 5:001, Section 8(9), within seven days of entry of this Order, London shall file by electronic means a written statement that they waive any right to service of Commission Orders by United States mail and that they or their authorized agents possess the facilities to receive electronic submissions.

6. 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

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

7. 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).

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

9. 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. Further, KRS 278.040(2) requires that a person seeking intervention must have an interest in the rate or service of a utility, as those are the only matters that are subject to the Commission's jurisdiction. 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 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.

10. London shall give notice of the hearing in accordance with the provision set forth in 807 KAR 5:001, Section 9(2). In addition, the notice of the hearing shall include

the following statements: “This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov”; and “Public comments may be made at the beginning of the hearing. Those wishing to make oral public comments may do by following the instructions listed on the PSC website, psc.ky.gov.” At the time publication is requested, London shall forward a duplicate of the notice and request to the Commission.

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

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

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

14. The Executive Director shall serve a copy of this Order on Wood Creek District.

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

PUBLIC SERVICE COMMISSION



Chairman

Vice Chairman

Commissioner



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00126 DATED APR 25 2022

Requests for intervention shall be filed no later than 05/09/2022

Initial requests for information to London
shall be filed no later than 05/16/2022

London shall file responses to
initial requests for information no later than.....06/06/2022

All supplemental requests for information to London
shall be filed no later than 06/20/2022

London shall file responses to supplemental requests
for information no later than07/11/2022

Intervenor Testimony, if any, in verified prepared
form shall be filed no later than.... 07/18/2022

All requests for information to Intervenors shall
be filed no later than..... 08/01/2022

Intervenors shall file responses to requests for
information no later than..... 08/15/2022

London shall file, in verified form, its rebuttal
Testimony no later than..... 08/30/2022

London or any Intervenor shall request either a
hearing or that the case be submitted for decision
based on the record no later than.....09/12/2022

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00126 DATED APR 25 2022

SIX PAGES TO FOLLOW

Hinton, Daniel E (PSC)

From: Zach Creech
Sent: Wednesday, March 30, 2022 3:16 PM
To: Hinton, Daniel E (PSC)
Subject: Re: TFS2022-00144 - London Utilities Commission Tariff Filing
Attachments: 192 Pump Station Upgrade Cost Estimate.pdf; 2021 Schedule of Operating Expenses.pdf; WWTP Expansion Project Cost Estimate.pdf

****CAUTION** PDF attachments may contain links to malicious sites. Please contact the COT Service Desk ServiceCorrespondence@ky.gov for any assistance.**

Hey Daniel,

Thank you for reviewing our filing to increase the wholesale wastewater rate for Wood Creek Water District. I am happy to discuss our reasoning for the increase with your agency. Please see my responses below and let me know if you have any questions or need any additional information.

1. Refer to the Expense Summary document. This document seems to support a rate of \$3.99 per 1,000 gallons based on 2021-2022 information and \$4.10 per 1,000 gallons based on 2022-2023 information. Explain how the proposed rate of \$4.40 per 1,000 gallons was determined. Provide any additional relevant supporting documentation. **Both the \$3.99 and \$4.10 per 1,000 are *our* cost to treat per 1,000 gallons of wastewater and these O&M Expense calculations are based on FY 2020-2021 (the most recent full year of annualized expenses). Needless to say, both 2021-2022 and 2022-2023 are not represented on this expense summary and are projected to be significantly higher. There are several reasons we are seeking \$4.40:**
 - **First, the Commission feels that we need to account for the additional degradation of our collection and treatment system from accepting WCWD's sanitary sewer. Wood Creek operates nearly 100% of their system from grinder pumps and force main collection. This produces a significant amount of H₂S, which is highly corrosive to our collection lines, manholes, pumps and treatment facility. Of course every system has H₂S, but through extensive third party sampling, we have determined WCWD is one of the largest producers of H₂S in our system. Additionally, the connection points with WCWD require more repair work than any other portion of our collection system. We have a great relationship with our fellow water providers and do not ask them to cost share for the additional work throughout the year, but perhaps should.**
 - **Our current wholesale rate is \$2.94. So we are losing money by accepting Wood Creek's wastewater flow. Commissioners also feel that the Utility *should* receive a small financial benefit for accepting Wood Creek's wastewater. Wood Creek does not charge their customers \$2.94 per thousand gallons of sewer, their rates for sewer services are substantially higher. They do this to generate a financial benefit for their system and to cover their operating costs of collection. Wood Creek certainly gets the better end of the deal by having the Utility Commission treat their waste. Furthermore, because we only have 2020-2021 reporting, I can assure the Public Service Commission that our proposed rate may still**

not be enough to cover future costs. However, we want to provide this service at as close to our true cost as possible for the benefit of our community.

- Lastly, due to continual growth within our system and Wood Creeks wastewater division from residential and commercial development, we are in need of upgrading the Hwy 192 pump station that receives all of WCWD's wastewater flow. This station is now undersized and we plan to apply a portion of this proposed increase to upgrade for more capacity. This will allow us to maintain compliance with the DOW and allow for WCWD's future expansion. We believe it's only fair that WCWD assists with a small cost sharing of this project, considering it would not be necessary if we did not receive their flow.

2. Refer to the Expense Summary document. Provide the City of London's income statement that supports the information contained under 2021-2022 Expenses/Rates and 2022-2023 Expenses/Rates.

Again, I must explain that the LUC O&M Expenses listed are from FY2020-2021, therefore are less than our actual expenses. The current annual debt service payments are derived from the following:

2021-2022 - Total of annual debt service for a WWTP upgrade (2004) and major collection system repair work performed in the basin that collects wood creek sewer.

2022-2023 - Total estimated annual debt service for an additional WWTP expansion (2023) and the upcoming PS upgrade (2022) that collects all of WCWD's sanitary sewer. I have attached the cost estimates for both projects for your review. Please see attached Schedule of Operating Expenses from our annual audit completed July 2021.

3. Refer to the Expense Summary document. Explain the increase of \$128,521 in the Annual Debt Service Payment Column.

This increase in annual debt service is the estimated additional annual payments for both the upcoming WWTP expansion and the Hwy 192 PS upgrade. Cost estimates are based on standard 20 year financing. I have attached both upcoming project cost estimates.

Daniel, I hope the PSC understands we are not chasing a profit here, but we cannot continue to subsidize the cost to treat WCWD with operational funds generated from our customer base. Again, thank you for your time and I'm always available to discuss additional details of our filing.

Thank you.

On Tue, Mar 29, 2022 at 2:23 PM Hinton, Daniel E (PSC) <dehinton@ky.gov> wrote:

Mr. Creech,

After reviewing London's filing to increase the wholesale wastewater rate to Wood Creek Water District, Staff has the following requests.

1. Refer to the Expense Summary document. This document seems to support a rate of \$3.99 per 1,000 gallons based on 2021-2022 information and \$4.10 per 1,000 gallons based on 2022-2023 information. Explain how the proposed rate of \$4.40 per 1,000 gallons was determined. Provide any additional relevant supporting documentation.

2. Refer to the Expense Summary document. Provide the City of London's income statement that supports the information contained under 2021-2022 Expenses/Rates and 2022-2023 Expenses/Rates.

3. Refer to the Expense Summary document. Explain the increase of \$128,521 in the Annual Debt Service Payment Column.

The information can be emailed to me at this address.

If you have any questions, please let me know.

Thanks.

Daniel

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Zach Creech
Superintendent, London Utility Commission
606-864-2103 |
801 North Main Street, London, KY 40741

2-Feb-22

192 PUMP STATION UPGRADE

Opinion of Probable Cost

DESCRIPTION OF WORK:

Work required to expand the capacity of the 192 pump station to 1,800 GPM.

Cost Estimate

| Description | Unit | QTY | Unit Price | Total Cost |
|--|------|-----|---------------------------------|---------------------|
| General Conditions | LS | 1 | \$25,000.00 | \$25,000.00 |
| Temporary Bypass Pumping | LS | 1 | \$30,000.00 | \$30,000.00 |
| 1200 GPM Submersible Pumps | EA | 3 | \$80,000.00 | \$240,000.00 |
| Valve Vault Rehab (Replace all Check Valves & Mechanical Equip.) | LS | 1 | \$20,000.00 | \$20,000.00 |
| Wet Well Rehab (Replace mechanical pipe & fittings) | LS | 1 | \$7,500.00 | \$7,500.00 |
| Control Panel w/ VFD's & Internal AC Unit | EA | 1 | \$150,000.00 | \$150,000.00 |
| Misc upgrades/improvements | LS | 1 | \$10,000.00 | \$10,000.00 |
| | | | Construction Sub-Total = | \$482,500.00 |
| | | | Contingencies (10%) = | \$48,250.00 |
| | | | CONSTRUCTION SUB-TOTAL = | \$530,750.00 |
| | | | Engineering Design (8%) | \$42,460.00 |
| | | | Construction Admin (2%) | \$10,615.00 |
| | | | TOTAL = \$ | 583,825.00 |

Utility Commission, City of London, Kentucky
Schedule of Operating Expenses - Sewer
For the Year Ended June 30, 2021

Operating Expenses - Sewer

| | |
|----------------------------------|----------------------------|
| Collection | |
| Labor and maintenance | \$ 311,960 |
| Depreciation | 973,999 |
| Supplies and other expenses | 12,390 |
| Total Collection | <u>1,298,349</u> |
| | |
| Treatment and Disposal | |
| Labor and maintenance | 551,483 |
| Depreciation | 131,475 |
| Supplies and other expenses | 466,548 |
| Total Treatment and Disposal | <u>1,149,506</u> |
| | |
| Power and Pumping | |
| Labor and maintenance | 23,744 |
| Supplies and other expenses | 122,193 |
| Total Power and Pumping | <u>145,937</u> |
| | |
| General and Administrative | |
| Labor and maintenance | 478,237 |
| Depreciation | 209,535 |
| Supplies and other expenses | 562,861 |
| Total General and Administrative | <u>1,250,633</u> |
| | |
| Total Operating Expenses - Sewer | <u><u>\$ 3,844,425</u></u> |

**LUC Wastewater Treatment Plant Expansion
Preliminary Opinion of Probable Project Cost**

| Item No. | Description | QTY | Unit | Unit Price | TOTAL |
|--|---|------------|-------------|-------------------|---------------------|
| 1 | General Conditions | 1 | LS | \$400,000 | \$400,000 |
| 2 | Site Work / Piping | 1 | LS | \$500,000 | \$500,000 |
| 3 | Influent Gate Structure / Channels / Gates | 1 | LS | \$300,000 | \$300,000 |
| 4 | Coarse Screening System | 1 | LS | \$300,000 | \$300,000 |
| 5 | Anaerobic/Anoxic System | 1 | LS | \$1,500,000 | \$1,500,000 |
| 6 | ADF Influent Pumps / Controls | 3 | LS | \$100,000 | \$300,000 |
| 7 | Splitter Box No. 1 Modifications | 1 | LS | \$75,000 | \$75,000 |
| 8 | Replace South Oxidation Ditch VFDs | 2 | EA | \$100,000 | \$200,000 |
| 9 | Oxidation Ditch No. 3 | 1 | LS | \$3,000,000 | \$3,000,000 |
| 10 | Splitter Box No. 2 Modifications | 1 | LS | \$75,000 | \$75,000 |
| 11 | Clarifier No. 3 | 1 | LS | \$1,500,000 | \$1,500,000 |
| 12 | Add Covers and Samford Baffles to Clarifier No. 1 and 2 | 2 | EA | \$75,000 | \$150,000 |
| 13 | Replace RAS Pumps/Controls | 3 | EA | \$100,000 | \$300,000 |
| 14 | Add 2nd U.V. Disinfection System / Channel | 1 | LS | \$750,000 | \$750,000 |
| 15 | Screw Press Systems | 2 | EA | \$400,000 | \$800,000 |
| 16 | Sludge Conveyance | 1 | EA | \$100,000 | \$100,000 |
| 17 | Demolish Old Digester Buildings | 1 | LS | \$200,000 | \$200,000 |
| 18 | Parking Lot Modifications | 1 | EA | \$40,000 | \$40,000 |
| 19 | Pipe Storage Shed | 1 | EA | \$50,000 | \$50,000 |
| 20 | Maintenence Shed | 1 | LS | \$50,000 | \$50,000 |
| 21 | SCADA System | 1 | LS | \$100,000 | \$100,000 |
| Total Opinion of Probable Construction Cost | | | | | \$10,690,000 |
| Construction Contingency (10%) | | | | | \$1,069,000 |
| Engineering - Planning | | | | | \$50,000 |
| Engineering - Design | | | | | \$500,000 |
| Engineering - Bidding | | | | | \$40,000 |
| Engineering - Construction Administration | | | | | \$140,000 |
| Engineering - Resident Project Representation | | | | | \$430,000 |
| Engineering - Other | | | | | \$35,000 |
| Total Opinion of Probable Project Cost | | | | | \$12,954,000 |

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