

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION THE TODD COUNTY)
WATER DISTRICT OF TODD AND LOGAN)
COUNTIES, KENTUCKY, FOR APPROVAL) CASE NO. 8943
OF AN INCREASE IN RATES TO BE)
CHARGED FOR WATER SERVICE)

O R D E R

IT IS ORDERED that Todd County Water District ("Todd County") shall file an original and seven copies of the following information with the Commission by March 9, 1984. In the event the requested information is not available, Todd County shall state explicitly why the information cannot be furnished. If neither the response nor a motion for extension of time is filed by the stated date, the case may be dismissed.

1. The test-year income statement for September 1, 1982 through August 31, 1983, submitted in Exhibit E on page 18 does not meet the filing requirements of 807 KAR 5:001, Section 6(9). An income statement showing actual operations for the test year is required. The use of monthly averages to calculate the September through December 1982 portion of the statement makes it unacceptable for determining revenue requirements. Please provide a statement reflecting actual operating revenues and expenses of Todd County for the 12-month period selected as the test year.

2. In the response to Item No. 5, the amounts reported for total compensation do not reconcile with hourly wages as listed in Exhibit G. In the chart below, columns 1, 2, 3, and 5 reflect the response to Item No. 5, the amounts in column 4 are hourly wages as listed in Exhibit G, and column 6 is calculated compensation, assuming time-and-a-half for overtime hours. Provide a thorough reconciliation of columns 5 and 6 for each employee. Indicate the effective date of the wages listed in Exhibit G and their amounts previous to that. For each employee, indicate whether his wages are recorded in Operations Labor or Administrative and Office Salaries. Also, provide an explanation of why Brent Traugher received only \$4,100 annual compensation for 2,080 total hours worked.

<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
<u>Employee</u>	<u># Reg. Hrs.</u>	<u># O.T. Hrs.</u>	<u>Wage</u>	<u>Rep. Comp.</u>	<u>Cal. Comp.</u>
Harrison	2,000	101.5	\$4.25/hr.	\$ 7,750	\$ 9,147
Conyea	2,080	0	5.10/hr.	10,146	10,608
Traugher	2,080	0	400/mo.	4,100	4,800
Cowar, Jr.	766	4	4.40/hr.	3,358	3,397
Cowar, Sr.	849	2	4.30/hr.	3,936	3,664

3. With reference to Item No. 18 and Exhibit G, Exhibit G lists as Revenue the following items: Tap Fees \$2,150, Repair Work \$34, and Refunds \$122.

a. Explain why Tap Fees are classified as Revenues rather than Contributions in Aid of Construction.

b. Explain where on the test-year income statement repair work is included as income.

c. Provide a narrative explanation of the basis for including refunds as revenue and identify the account on the test-year income statement where this revenue is recorded.

4. Provide a copy of the bill to Elkton for the Meter reading of September 5, 1983.

5. Provide copies of electric bills for service from July 12 to August 12 and August 12 to September 12, 1983. Also provide copies of phone bills paid between August 2 and September 30, 1983.

6. With reference to Item No. 7:

a. Regarding the \$5,000 billed by the engineering firm for services provided in connection with this case, provide an itemized breakdown of each service provided, hours billed for each service, and rates charged. Provide a copy of the agreement between Todd County and Mayes, Sudderth and Etheredge, Inc., regarding work to be performed for this case.

b. Regarding the \$1,558.75 accountant's bill, provide a breakdown of hours required to perform the services provided and an itemized statement detailing how the bill was computed.

c. Regarding the \$1,500 to be paid to the lawyers, provide a breakdown of services to be provided, estimated hours required, and hourly rate charged.

If additional bills have been received or additional costs are anticipated, provide updated information including the items stated herein.

7. With reference to Item No. 17, provide a more detailed explanation of the transactions that required these reimbursements. Include in the explanation the account titles involved in each reimbursement and the amount debited or credited. The response states "expenditures were made from funds which should have been made from construction," if so, why weren't these expenses capitalized?

Also, please clarify whether the accountant uses the terms "refunds" and "reimbursements" interchangeably. Do any of the amounts listed in this response represent "funds collected when overpayments were made to any other company by mistake" (see response to Item No. 18)?

8. With reference to Item No. 16, what procedures are currently being used by Todd County to collect delinquent accounts?

9. With reference to Item No. 9, Operations, Supplies and Expenses, provide a copy of the invoice or bill associated with the following checks numbers: 1064, 1254, 1260, 1298, 1308, 1353, 1373, 1401, 1402, 1407, 1408, 1409, and 1428. Also, provide an explanation of agreements with, and services provided by, Community Towel.

10. Provide copies of billings from South Logan Water District for August and September 1983.

11. The response to Item No. 12 reflects payments for insurance of \$1,289 (check numbers 1056, 1209, 1431) during January - August 1983. However, the test-year income statement

lists \$2,735 as the expense for this period. Please provide an explanation for this discrepancy.

12. With reference to Item No. 14, to what accounts are revenues received from late penalties and disconnection/reconnection fees credited? How are these revenues represented in the test-year income statement?

13. With reference to Item No. 8, provide a thorough narrative explanation stating explicitly for what travel purposes each employee and commissioner are reimbursed. What are Todd County's policies concerning reimbursement for travel? At what rate per mile is each employee reimbursed?

Provide a thorough analysis detailing all reimbursements made to Brent Traugher during the test year. The analysis should include check number, amount, and purpose of travel. The analysis should reconcile to \$4,800 as listed in the response to Item No. 8. Also provide comments on the necessity of this level of transportation expense for Mr. Traugher relative to the size of the District.

14. With reference to the response to Item No. 9, Repairs and Maintenance expense, provide the invoice or bill associated with the following check numbers: 1000, 1026, 1223, 1261, 1309, 1374, 1423, and 1454. Provide a copy of the invoice from Henry P. Thompson Company for \$865.31 dated March 9, 1983.

Provide a narrative explanation and provide copies of the agreement, if any, with Austin Wright to provide maintenance services.

15. In the response to Item No. 25, the following amounts are used in the analysis:

Total System Cost	=	\$3,826,390
Water Plant Cost	=	\$1,498,286
Bond Amortization Cost	=	.05828
Plant Operation and Maintenance	=	\$81,747

Please explain the derivation of each of these amounts and reconcile them with the August 31, 1983 balance sheet.

Provide a narrative explanation of why this should be used as the appropriate methodology to determine the cost of producing excess unaccounted for water.

16. With reference to the Todd County Rate Study prepared by Mayes, Sudderth, and Etheredge, Inc., please explain the derivation of the following amounts. Provide copies of the workpapers showing how these amounts were calculated.

Appendix 1

Table 1

1.	Water Production Operation and Maintenance Cost	
	-Water Treatment	\$19,818
	-Operation S & E	11,616
	-Travel	2,613
	-Payroll Taxes	2,322
2.	Transmission and Distribution O & M	
	-Labor	\$ 1,800
	-Travel	2,400
	-Payroll Taxes	242
3.	Administration and General Costs	
	-Labor	\$ 4,866
	-Payroll Taxes	342

17. With reference to the Rate Study, Appendix 1, Table 2, please check mathematical accuracy of calculations included within Table 2 and make necessary modifications to subsequent schedules affected by that calculation.

18. With reference to page 7 of the Todd County Rate Study, it is the Commission's policy to calculate the Depreciation Base for rate-making purposes as Gross Utility Plant less Accumulated Depreciation and Contributions in Aid of Construction. Explain the basis for calculating Depreciation based on the FMHA loan amount.

Done at Frankfort, Kentucky, this 22nd day of February, 1984.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary