

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF BIG SANDY )  
WATERWORKS, INC., FOR AN )  
ADJUSTMENT OF RATES PURSUANT ) CASE NO. 8951  
TO THE ALTERNATIVE PROCEDURE )  
FOR SMALL UTILITIES )

O R D E R

IT IS ORDERED that Big Sandy Waterworks, Inc., ("Big Sandy") shall file an original and seven copies of the following information with the Commission with a copy to all parties of record by February 14, 1984. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

It is the policy of this Commission to allow only known and measurable increases to actual test year expenses which can be substantiated by submitting a copy of invoices and other related material in support of the increase to the actual expense.

1. Provide a copy of the monthly electric bills which sets out the usage and the related cost thereof with a total cost of \$6,894.84 for the test period.

2. Regarding Administrative and General Salaries of \$15,300 and the pro forma adjustment of \$27,900, provide the following information:

a. Name of present employees and titles.  
b. Base salary and/or hourly rate.  
c. Number of hours worked per week in the performance of duties.

d. Make an analysis of the proposed wage adjustment of \$27,900 regarding how much each present and prospective employee will receive as a result of this wage adjustment.

e. State the name of the employee who presently reads the meters, prepares the monthly bills and handles the collections. There was no cost allocated to customer accounts expenses in the 1982 annual report of Big Sandy.

3. Provide a copy of all invoices pertaining to insurance expense for the test period of \$2,734. The invoice should state the type of coverage and the period of the policy.

4. The depreciation schedule for the year ended December 31, 1982, filed with the application of Big Sandy lists capital additions of \$8,527.94 made during the period February 19, 1981, through August 26, 1982, on which depreciation expense was computed on the ACRS method. The Commission recognizes only depreciation expense computed on the straight-line method for rate-making purposes. Please adjust and refile the depreciation expense schedule for the test period, accordingly. Also, revise the Depreciation Reserve to reflect this accounting treatment throughout the past write-offs to depreciation expense.

5. Provide a copy of the invoices for the following test year expenses: (Limited to invoices of \$50 and over)

- a. Source of Supply - Operation Supervision and Engineering - \$6,000.
- b. Chemicals - \$3,400.
- c. Miscellaneous Water Treatment Expenses - \$3,700.
- d. Transmission and Distribution - Maintenance of Miscellaneous plant - \$3,221.
- e. Office Supplies and Other Expenses - \$4,203.
- f. Outside Services Employed - \$2,951.
- g. Miscellaneous General Expenses - \$5,765.
- h. P.S.C. Taxes - \$286.28.

6. On page 2 of the application, Big Sandy has made the following pro forma adjustments to operating expenses: building improvements \$4,219.32, system improvements \$5,204.64, purchase of a truck \$5,310.84 and office equipment purchase of \$3,635.20. Provide the following information concerning these adjustments:

- a. Gross cost of the equipment and/or improvement.
- b. Useful life of each asset.
- c. On what basis did Big Sandy compute each adjustment?
- d. To date, have any of the improvements been made and purchases or contracted for?

7. The 1982 annual report of Big Sandy shows 484 residential customers and the application shows 428 customers or a loss of 56 customers. Provide an explanation for this loss in customers.

8. Does Big Sandy file its income tax returns under the provisions of a sub-chapter "S" corporation?

9. Big Sandy states in its application that it must borrow approximately \$30,000 for the purpose of improving its water lines in several areas of the water system. If a loan has been negotiated with a bank or other lending institution, provide a copy of the note, interest rate and period of the loan as well as all other terms.

Done at Frankfort, Kentucky, this 27th day of January, 1984.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Secretary