

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF HARDIN COUNTY)
WATER DISTRICT NO. 2, HARDIN)
COUNTY, KENTUCKY, (1) FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY AUTHORIZING SAID)
DISTRICT TO CONSTRUCT MAJOR)
IMPROVEMENTS AND ADDITIONS TO ITS)
EXISTING MUNICIPAL WATER DISTRI-) CASE NO. 9041
BUTION SYSTEM PURSUANT TO THE)
PROVISIONS OF CHAPTER 74 OF THE)
KENTUCKY REVISED STATUTES; (2))
SEEKING APPROVAL OF THE ADJUST-)
MENT OF WATER SERVICE RATES AND)
CHARGES; AND (3) SEEKING)
APPROVAL OF THE ISSUANCE OF)
CERTAIN SECURITIES)

O R D E R

IT IS ORDERED that Hardin County Water District No. 2 ("Hardin County No. 2") shall file an original and seven copies of the following information with the Commission by June 15, 1984. If the information requested or a motion for an extension of time is not filed by the stated date, the Commission may dismiss the case without prejudice. Hardin County No. 2 shall furnish with each response the name of the witness who will be available at the public hearing for responding to questions concerning each item of information requested.

1. Regarding the revenue requirement calculation (Table V-4 of the Engineering Report), are you aware that the Commission allows depreciation expense on non-contributed property for

rate-making purposes? If so, provide an explanation as to why this was not included in determining the required revenue.

2. According to the 1983 annual report, maintenance of meters expense was \$6,049.62. However in the plant accounts (pages 4 and 5) there are no beginning or ending balances for the property account "Meters." Provide the following:

- a. An explanation of the policy regarding capitalization versus expensing of meters expenses.
- b. An explanation of the plant account into which expenditures for meters are capitalized.
- c. Copies of invoices for all expenditures over \$100 for the "maintenance of meters" account.

3. Provide detailed narrative explanations for increases in the following accounts over the past 3 calendar years:

	<u>1981</u>	<u>1982</u>	<u>1983</u>
Accounting & Collecting Labor	\$17,187	\$18,503	\$30,603
Administrative and General Salaries	49,750	55,519	73,648
Employee Pensions and Benefits	7,594	20,127	35,564
Meter Reading Labor	5,000	7,200	12,402

4. For the following expense accounts, provide explanations for the increases, summarize and list the major non-recurring expenditures, and provide copies of invoices for all expenditures (in 1983) over \$150:

	<u>1981</u>	<u>1982</u>	<u>1983</u>
Transmission and Distribution Expenses	-0-	-0-	\$ 5,347
Maintenance of Services Expense	\$4,328	\$6,076	\$13,612

5. Regarding Table V-3 of the Engineering Report, explain the item listed as "seminar expense" of \$5,500 for 1983. Is this expense expected to recur annually?

6. Provide the calculations to substantiate the pro forma adjustment reducing the utilities expense by \$10,000 in Table V-3 of the Engineering Report.

7. Provide the nature and source of "Other" Income of \$25,685 on page 17 of the Engineering Report. Is this income expected to recur at the 1983 level in future years?

8. Regarding the Engineering Report provide an explanation for the difference between the number of new customers (500) shown in Table V-3 used to calculate the increased purchased water cost and the number of new customers (200) shown in Table V-6 to calculate increased revenue from new customers. Provide revised adjustments if appropriate.

9. Provide the nature and source of interest income of \$18,360 for 1983. Is this income restricted in any way?

10. Provide the nature of other interest expense of \$4,126 for 1983 and whether this expense is expected to recur in future years.

11. According to the 1983 annual report, purchased water expense for 1983 was \$347,209, and according to the Engineering Report, the wholesale purchased water rate from Hardin County Water District No. 1 is \$0.70 per 1,000 gallons. However, according to Hardin County Water District No. 1's 1983 annual report 1983 sales to Hardin County No. 2 were \$310,220, and the

rate was \$0.61 per 1,000 gallons. Please reconcile and explain these apparent discrepancies.

12. Provide a listing of Hardin County No. 2 employees and their wages and salaries for 1983.

13. Provide a summary of the major amounts included in miscellaneous general expense of \$12,400 for 1983.

14. Provide hydraulic analyses, supported by computations and actual field measurements, of typical operational sequences of the existing water distribution system. Computations are to be documented by a schematic map of the system that shows pipeline sizes, lengths, connections, pumps, water storage tanks, and sea level elevations of key points, as well as allocations of actual customer demands. Flows used in the analyses shall be identified as to whether they are based on average instantaneous flows, peak instantaneous flows, or any combination or variation thereof. The flows used in the analyses shall be documented by actual field measurements and customer use records. Justify fully any assumptions used in the analyses.

15. Provide a summary of any operational deficiencies of the existing water system that are indicated by the hydraulic analyses or that are known from experience.

16. Provide hydraulic analyses, supported by computations and field measurements, demonstrating the appropriateness of the engineering design of the proposed construction of additions and extensions. Justify fully any assumptions used in the analyses.

17. Provide a pressure recording chart showing the actual 24-hour continuously measured pressure available near the connection point of Hardin County's proposed waterline near Franklin Crossroads to Hardin County Water District No. 1's water system. Identify the 24-hour period recorded, the exact location of the pressure recorder and the sea level elevation of the recorder.

18. Provide a pressure recording chart showing the actual 24-hour continuously measured pressure available near the proposed tank site on Hardin County's existing waterline on Middle Creek Road. Identify the 24-hour period recorded, the exact location of the pressure recorder and the sea level elevation of the recorder.

19. Provide a pressure recording chart showing the actual 24-hour continuously measured pressure available on Hardin County's existing waterline on Middle Creek Road at the intersection of Highway 567. Identify the 24-hour period recorded, the exact location of the pressure recorder and the sea level elevation of the recorder.

20. Provide flow test data for any fire hydrants in the vicinity of the proposed tank location on Middle Creek Road. Flow test information should include static pressure prior to flowing hydrant, actual flow measured, and residual pressure during flow.

21. Provide narrative description of the proposed daily operational sequences of the water system. Documentation should include the methods and mechanisms proposed to provide positive control of the proposed tanks water levels. Narrative description should also include how tanks will "work" (Expected inflow and outflow of water and approximate times of day). Any assumptions

are to be fully supported by appropriate measurements and hydraulic calculations.

22. Provide economic and hydraulic justification for sizing proposed lines 5 and 7 to allow the system "to be turned around" if a second source of water can be obtained near White Mills. Justification should include any master plan which has been prepared, commitments for future funding, etc.

Done at Frankfort, Kentucky, this 29th day of May, 1984.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary