

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE MUHLENBERG)
COUNTY WATER DISTRICT, A WATER)
DISTRICT ORGANIZED PURSUANT TO CHAPTER) CASE NO. 9262
74 OF THE KENTUCKY REVISED STATUTES)
FOR A GENERAL ADJUSTMENT OF RATES AND)
REVISION OF RATES)

O R D E R

IT IS ORDERED that Muhlenberg County Water District ("Muhlenberg") shall file an original and eight copies of the following information with this Commission, with a copy to all parties of record, by March 11, 1985, or within 2 weeks after the date of this Order, whichever is later. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. In the calculation of depreciation expense, Exhibit 4, contributions in aid of construction is applied exclusively to long-lived assets. Provide any evidence which supports your position that contributions in aid of construction were used solely for the purchase of long-lived assets.

2. In the calculation of depreciation expense, Exhibit 4, all depreciable assets are depreciated over a useful life shorter than the upper limit suggested as a standard by the National

Association of Regulatory Utility Commissions ("NARUC") as set out in "Depreciation for Small Water Utilities" adopted August 15, 1979. Has Muhlenberg conducted a depreciation study of its assets as in service? Please provide the results of this study, if any.

3. Using the upper limit of useful lives of NARUC's guidelines and using the 1983 water utility plant in service (1983 Annual Report), this results in an annual depreciation charge of \$83,124. Excluding depreciation associated with contributed property yields a depreciation expense of \$57,966 as opposed to the \$121,800 of annual depreciation expense proposed for rate-making purposes in Exhibit 4. If no depreciation study has been done, please compare the proposed useful lives (as proposed in Exhibit 4) of plant assets to the upper limit of useful life of each line item that appears in Appendix I. For each line item where there exists a difference in useful life, provide a thorough explanation of this difference in useful life.

4. Please provide a breakdown for 1983 of the \$26,166 charged to Account No. 651--Maintenance of Mains. This breakdown should include a description of the goods or services purchased, the business purpose of the purchase, the vendor, the amount and the date. Like items individually costing \$100 or less may be grouped together with analogous information as requested above.

5. Employee pension and benefits have increased from \$6,104 in 1981 to \$18,623 in 1983, a 205 percent increase. Please provide a comparative breakdown of this expense for 1981, 1982, and 1983, also include the average cost per employee for each type

of benefit whether life insurance, retirement benefits, health insurance, dental insurance, educational assistance, etc.

6. Please provide copies of all 1983 water bills for the \$243,034 expensed to Account No. 601--Purchased Water. Alternatively, provide for each month the gallons of water purchased and the amount of the bill and also include a copy of supplier's rate schedule or contract including rates under which the purchases apply.

7. Please provide a breakdown of the \$11,450 charged to Account No. 921--Office Supplies and Other Expenses. This breakdown should include the date of the purchase, the goods or services purchased, the business purpose of the purchase, the vendor or payee, and the amount. Like items costing \$50 or less may be grouped together with analogous information as requested above.

8. Please provide a breakdown for 1983 of the \$8,021 charged to Account No. 924--Property Insurance. Also, please provide all executed contracts and billings or premium notices which support this breakdown.

9. Please provide for the beginning of the test period, January 1, 1983, the periodic compensation rate (hourly, weekly, monthly units worked) for each employee. Also, include the job description and the average number of weekly hours worked for each employee.

10. Please provide the end of the test period, December 31, 1983, the periodic compensation rate (hourly, weekly, monthly

units worked) for each employee. Also, include the job description and the average number of weekly hours worked for each employee.

11. The proposed adjustment to 1983 wages and salaries in Exhibit 14 represents a 23.32 percent annual increase in this expense. Provide for each employee the periodic compensation rate which is the basis for this proposal. For each employee provide a job description and the average weekly hours worked. Also, please provide all evidence why these increases in compensation are justified in comparison to the 1983 inflation rate of 3.6 percent.

12. The 1981 Annual Report shows \$4,171,316 in beginning utility plant in service. The 1983 Annual Report shows \$4,643,134 in ending utility plant in service. Provide a reconciliation of these amounts showing the assets purchased, the dates purchased and the amount. Like assets or construction individually costing \$5,000 or less may be grouped together. Provide original receipts or warehouse receipts for assets or construction costing \$5,000 or more.

13. Account No. 935--Maintenance of General Plant has increased by 400 percent since 1981. Please provide a breakdown for 1983 of this account. This breakdown should include the date, the assets or services expensed, the business purpose, the vendor, and the amount. Like items individually costing \$50 or less may be grouped together with analogous information as requested above.

14. Account No. 933--Transportation Expense has grown from \$13,107 in 1981 to \$23,039 during the test period. This represents a 77 percent increase in this account over 2 years. Please

provide a thorough explanation of this increase in transportation expense. Also, please provide a breakdown for the test period of this account into amounts expensed for meter reading, maintenance, and other. Also, please provide a listing of all transportation equipment owned by Muhlenberg and their individual cost. If employees or officers of Muhlenberg are permitted to drive vehicles home or for any other personal use, provide the expense associated with this benefit, the number and kinds of vehicles, the daily mileage, and utility purpose, if any.

15. Provide an analysis of compensation and reimbursements given to the current commissioners. For each commissioner provide the duties performed, the annual compensation, the cost of fringe benefits (life insurance, dental, health insurance, retirement), and all reimbursements for travel, entertainment, transportation, and other out-of-pocket expenses.

Done at Frankfort, Kentucky, this 27th day of February, 1985.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX I
 AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 9262 DATED FEBRUARY 27, 1985.

Typical Average Service Lives, Salvage
 Rates, and Depreciation Rates

Small Water Utilities

NARUC Account Number	Class of Plant	Average Service Life ¹ Years	Net Salvage Percent	Depreciation Rate Percent
<u>Source of Supply Plant</u>				
311	Structures & Improve- ments	35-40		2.9-2.5
312	Collecting & Impounding Reservoirs	50-75		2.0-1.3
313	Lake, River and Other Intakes	35-45		2.9-2.2
314	Wells and Springs	25-35		4.0-2.9
315	Galleries and Tunnels	25-50		4.0-2.0
316	Supply Mains	50-75		2.0-1.3
317	Other Source of Water Supply Plant	30-40		3.3-2.5
<u>Pumping Plant</u>				
321	Structures & Improve- ments	35-40		2.9-2.5
324-7	Pumping Equipment	20		5.0
328	Other Pumping Plant	25		4.0
<u>Water Treatment Plant</u>				
331	Structures & Improve- ments	35-40		2.9-2.5
332	Water Treatment Equip- ment	20-35		5.0-2.9

¹ These lives are intended as a guide; longer or shorter lives should be used where conditions warrant.

<u>NARUC</u> <u>Account</u> <u>Number</u>	<u>Class of Plant</u>	<u>Average</u> <u>Service</u> <u>Life</u> <u>Years</u>	<u>Net</u> <u>Salvage</u> <u>Percent</u>	<u>Depreciation</u> <u>Rate</u> <u>Percent</u>
<u>Transmission and Distribution Plant</u>				
341	Structures & Improve- ments	35-40		2.9-2.5
342	Reservoirs and Tanks	30-60		3.3-1.7
343	Transmission and Distri- bution Mains	50-75		2.0-1.3
344	Fire Mains	50-75		2.0-1.3
345	Services	30-50		3.3-2.0
346	Meters	35-45	10	2.6-2.0
347	Meter Installations	40-50		2.5-2.0
348	Hydrants	40-60	5	2.4-1.6
<u>General Plant</u>				
390	Structures & Improve- ments	35-40		2.9-2.5
391	Office Furniture & Equipment	20-25	5	4.8-3.8
392	Transportation Equip- ment	7	10	12.9
393	Stores Equipment	20		5.0
394	Tools, Shop & Garage Equipment	15-20	5	6.3-4.7
395	Laboratory Equipment	15-20		6.7-5.0
396	Power Operated Equipment	10-15	10	9.0-6.0
397	Communication Equipment	10	10	9.0