

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

NOTICE OF ADJUSTMENT OF RATES OF)
KENTUCKY-AMERICAN WATER COMPANY) CASE NO. 9283

O R D E R

IT IS ORDERED that Kentucky-American Water Company shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record, not later than 2 weeks of the date of this Order. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets is required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

RATE OF RETURN

1A. Provide the workpapers used to calculate the 5 and 7 year growth rates shown in Appendix 1, page 2, of Mr. Edgemon's testimony.

1B. What are the current indicated dividend rates for these 7 companies.

2. What are the current indicated dividend rates for the 2 companies listed in Appendix 4 of Mr. Edgemon's testimony.

3. What is the source of the betas mentioned on page 14 of Mr. Edgemon's testimony.

4. From the staff request dated April 22, 1985, reconcile the difference between the \$25,875,000 end-of-test-year amount of long-term debt shown in item 1, schedule 1, page 2, and the \$25,815,000 of long-term debt shown in item 2a, schedule 2.

5. From the staff request dated April 22, 1985, reconcile the difference between the \$3,782,000 end-of-test-year amount of preferred stock shown in item 1, schedule 1, page 2, and the \$3,758,000 of preferred stock shown in item 3, schedule 2.

6. From the staff request dated April 22, 1985, explain why the amounts shown in item 1, schedule 1, page 4, are the same as the average test-year amounts shown in item 1, schedule 1, page 2.

REVENUE REQUIREMENTS

Exhibit 4, Schedule 6, Page 1

1. What is the basis for Kentucky-American's use of a 15-month amortization period with regard to rate case expense?

2. Please provide an itemized breakdown of all items included in the rate case expenses of \$86,000.

Exhibit 4, Schedule 12, Page 1

1. The unamortized portion of costs for job order no. M531, in the amount of \$9,277 will be completely amortized within 7 months after any rate adjustment takes place. Why should this amount be included and recovered indefinitely?

Exhibit 4, Schedule 14

1. What is the basis for use of a 15-month amortization period?

Exhibit 4, Schedule 5

1. Kentucky-American has proposed a wage adjustment of \$226,976. Please provide the Commission a schedule independently reflecting the end-of-period wage adjustments and expected wage adjustments to be effective in September.

Exhibit 4, Schedule 8

1. Kentucky-American has proposed pension plan cost adjustments of \$25,174. Please provide the Commission with schedules independently reflecting end-of-period adjustments and those adjustments resulting from out-of-period pension changes or out-of-period wage changes.

Exhibit 4, Schedule 11

1. In the calculation of the pro forma reduction of \$3,244 it appears that the old rates have been reflected without appropriate sales tax, while the TOD rates include sales tax. Please review and resubmit comparable calculations.

Exhibit 4, Schedule 24

1. With regard to tank painting, please provide a consolidated schedule identifying all adjustments with a full explanation of the adjustments which have been made in this filing. In addition, if the methodology used in this filing is different than the Commission's method prescribed in Case No. 8571 please identify and explain these differences.

Exhibit 4, Schedule 2

1. Kentucky-American has proposed to adjust revenues to include adjustments for accrued utility revenues, rate increases, annualization adjustments, and bill analysis reconciliation. Provide a narrative description and full explanation of these adjustments and how they affect the end-of-period methodology used in this proceeding, specifically detail the adjustment for accrual accounting.

OTHER

1. In response to item 18B page 1, Kentucky-American reflects an increase in maintenance expense of 19.37% from 1983 to 1984. Please provide a full explanation of this substantial increase.

2. Kentucky-American has proposed to include the expected costs of its east-side expansion in this proceeding. Has Kentucky-American recognized any related balance sheet or income changes due to productivity gains, revenue enhancement or cost savings? If so please identify with full explanation. If not, provide an analysis of these changes.

COST OF SERVICE

1. Provide a narrative description of changes in the company's planning process that have been implemented as a result of the recommendations from the report titled Review of the Kentucky-American Water Company Capacity Expansion Program prepared by Energy Systems Research Group, Inc. in 1982 and as a result of the Report on Analysis of Water Demand Components and Forecasts of System Demands for the Years 1985-2000 prepared by Camp, Dresser and McKee in 1983. (Mr. Edens' testimony and Mr. Young's testimony.)

2. Has the company considered alternative cost allocations such as the one suggested by the Lexington Fayette Urban County Government in Case No. 8836? If so, why were these alternate cost allocations rejected? (Mr. Ober's testimony.)

3. Provide information on programs the company has initiated to encourage water conservation and to mitigate peak demand. (Related to Mr. Young's and Mr. Edens' testimony.)

4. Provide data that indicate the increase in purchased water demand by Versailles, South Woodford District, Spears Water District and South Elkhorn Water District for the period 1982 through the end of the contracts referred to on page 10 of Mr. Young's testimony.

5. Provide a Partial Factor Productivity evaluation for the years 1972 and 1984 for the Bluefield Valley Water Works Company, Maryland Water Works Company, Huntington Water Corporation, Tennessee-American Water Company, Virginia-American Water

Company and West Virginia Water Company, the companies referred to on page 3 of Mr. Edgemon's testimony.

6. Provide supporting data for the base forecast and for the potential outlying region forecast. (Mr. Young's testimony.)

RATE DESIGN

1. Provide a narrative explanation of all updates made to the 1982 Cost of Service study. Include all workpapers necessary in making the update.

2. Provide all workpapers or supporting documentation utilized in the development of exhibit 7, Cost of Service Study, accompanying Mr. Ober's testimony. Provide all assumptions and narrative explanations where necessary.

3. Provide an explanation of how the local factors were determined for maximum day, maximum hour, and average day demands for the various customer classifications. This should include an explanation of the estimation process and all sources utilized should be provided as well.

4. What is the rationale behind the utilization of the incremental cost method of assigning joint costs of service to fire protection services? Provide any supporting documentation for the assignment of incremental costs, giving narrative explanations where necessary.

5. Provide any supporting documentation utilized in the combination of other public authority customers with commercial customers and water utility customers with the University of Kentucky for purposes of cost allocation.

6. Provide the necessary calculations utilized in the development of fixed service charges for each meter size as shown in schedule 12.

7. Provide the average number of customers for each customer class, (i.e., residential, commercial and industrial) for the test period and for each month of the test period.

8. Identify alternative rate design methods that were considered and the reasons for rejecting them in favor of the three-step declining block rate schedule. (Mr. Ober's testimony.)

Done at Frankfort, Kentucky, this 3rd day of May, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Deming
For the Commission

ATTEST:

Secretary