

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE EAST CLARK)
COUNTY WATER DISTRICT, OF CLARK)
COUNTY, KENTUCKY, FOR APPROVAL OF) CASE NO 9512
CONSTRUCTION, FINANCING, AND IN-)
CREASED WATER RATES)

O R D E R

IT IS ORDERED that East Clark County Water District ("East Clark") shall file an original and seven copies of the following information with the Commission with a copy to all parties of record within 2 weeks of the date of this Order. 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. East Clark 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. In response to Items 5 through 10 of the Commission's May 2, 1986, Information Request, 24-hour pressure recording charts at various locations were filed. However, the elevation of the actual monitoring location for each chart was not filed as requested. Provide the sea level elevation of each monitoring location previously submitted.

2. In response to Items 15 and 16 of the Commission's May 2, 1986, Information Request, the Clark County court orders describing East Clark's boundaries were filed. In addition, it was stated that East Clark's boundaries were also described in its tariff sheets. Upon review of this information, the tariff sheets list territory exemptions that are not included in the court orders. In addition, the map depicts East Clark's boundaries as those described by the tariff sheet and not by the court orders. Provide clarification concerning the discrepancy between the two descriptions. Also provide the appropriate Clark County court orders which describe all of the exemptions as mentioned in the tariff sheets.

Bond Resolution

3. The new bond issues have quoted interest rates of 11 3/8 percent and 9 1/8 percent. If the Farmers Home Administration ("FmHA") purchases the bonds, will the interest rates still be 11 3/8 percent and 9 1/8 percent? Explain why or why not.

Follow-up to Information Order Dated May 2, 1986

Water Purchase Agreement:

4. Explain and provide the calculations which support the statement that the difference between the purchase price for the bulk water stations, \$4,253.00, and the total payment after 10 years, \$6,338.20, a difference of \$2,085.20, represents an 8 percent interest rate.

FmHA Letter of Conditions, Amendments 1 and 2:

5. Provide an explanation as to the nature and purpose of the CDBG Grant. In the explanation, include the terms of the

grant, identify the grant administrator and primary recipient, the duration of the grant, when the grant monies were first used, and a general description of who is eligible for assistance. Also explain why in Amendment 1 the Administrative Cost of \$18,354 was included as part of the financing package and the Tap-On Assistance of \$18,900 was not shown as part of the applicant assistance.

Exhibits N and P:

6. Provide a pro forma computation of the PSC Assessment Tax utilizing the instructions in KRS 278.130.

7. Explain how a 50-year life for the Phase II assets was arrived at. Also indicate the sources of information used in the determination.

1985 Annual Report - Operation and Maintenance Expenses:

8. Provide a breakdown of the legal services provided by the legal counsel, whose expenses were classified as "Miscellaneous General Expenses". Also explain why such legal charges were not reported in Account No. 923--Outside Services Employed.

Revenue Requirements:

9. In Exhibit W, Bond Resolution Article 5, Section 501, East Clark covenants that the revenues of the system will be adequate to cover operating and maintenance expenses, principal, and interest payments. East Clark also covenants that revenues will not be reduced below 120 percent of the average annual debt service requirements for principal and interest on the outstanding bonds payable. Explain how the revenue requirements as calculated

by East Clark are adequate, given the requirements of the Bond Resolution.

New Customers:

10. Provide the estimates for water consumption for the Trapp Elementary School.

Clarifications to Responses:

The following questions were asked in the Commission's Information Request dated May 2, 1986; however, these points were omitted either by oversight or because the questions lacked clarity.

Provide the necessary responses:

11. In Amendment 2, the cost breakdown changed from the breakdown provided in Amendment 1. Provide an explanation as to why the following cost components changed:

- a. Development Costs increased \$233,600.
- b. Land and Rights dropped out of the breakdown.
- c. Legal Costs decreased \$15,500.
- d. Engineering and Inspection Costs increased \$30,000.
- e. Contingency provisions decreased \$14,700.

12. Provide a brief explanation of what each of the following funds is used for:

- a. Sinking Fund.
- b. Depreciation Reserve Fund.
- c. Phase II Project Fund.

13. Has notice of the proposed increase in tap fee from \$300 to \$400 been given? Provide a copy of the notice.

14. The number of anticipated new customers has been increased from 136 to 151 in the May 12, 1986, FmHA Letter of

Conditions. Should adjustments to the billing analysis be made to include the 15 additional customers in the same manner as described in Item 20 of the May 23, 1986, Response?

15. East Clark currently purchases water from Winchester Municipal Utilities ("WMU") at a rate of \$1.12 per 1,000 gallons and proposes to resell water to WMU at \$1.45 per 1,000 gallons pursuant to the purchased water contract.

a. Will the difference of \$.33 per 1,000 gallons cover the costs incurred by East Clark in connection with delivery of water resold to WMU?

b. Provide a breakdown of such costs.

16. Does East Clark have any multi-unit customers receiving service through a master meter?

17. If so, have the units been included in the billing analysis as individual billing units in order to accurately calculate revenue?

18. If not, provide a list of multi-unit customers showing number of units and monthly usage for each.

Done at Frankfort, Kentucky, this 26th day of June, 1986,

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary