

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE UNION COUNTY)
WATER DISTRICT, OF UNION COUNTY,)
KENTUCKY, FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY,) CASE NO. 9540
APPROVAL OF A PROPOSED PLAN OF)
FINANCING AND PROPOSED WATER RATE)
INCREASE)

O R D E R

IT IS ORDERED that the Union County Water District ("Union County") shall file an original and ten copies of the following information with the Commission with a copy to all parties of record within 20 days from the date of this Order. Union County shall also furnish with the each response the name of the witness who will be available at the public hearing for responding to questions concerning each area of information requested. 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 practice of this Commission to allow only known and measurable increases to actual test year expenses which can be substantiated by appropriate documentation (invoices and/or other related material) supporting increases to the actual expense. Please review your application in light of the following questions and file any additional support which may be necessary.

1. On page 1 of Union County's Exhibit I, Customer Accounts Receivable shows a December 31, 1985, balance of \$43,357 and the 1985 Annual Report filed with the Commission shows \$37,583 or a

difference of \$5,774. Please explain this difference and its possible effect upon operating revenues for the test period. Also, Exhibit I - Statement of Income shows Other Water Revenues of \$5,184. Please furnish a more detailed explanation of the activities within this account.

2. Maintenance of Meters reflects a test period cost of \$21,821 while the previous calendar year was \$9,896, an increase of \$11,925. Please explain this increase identifying in particular any items which may be nonrecurring or for capital expenditures.

3. On page number 11, line 28 of the 1985 Annual Report, account number 655 - Maintenance of Other Plant reflects a cost of \$9,638. With reference to Exhibit I this amount is composed of Maintenance of Other Plant \$4,593 and Maintenance of Pump Stations of \$5,045. Is it correct to assume that the cost of maintaining the pump stations of \$5,045 should have been shown under the caption Pumping Expenses as Maintenance of Pumping Plant?

4. An analysis of the 1985 Annual Report and Exhibit I shows that Mr. Bill Morgan, general manager of Union County, was paid \$13,200 and provided with a travel allowance of \$2,439 during 1985 which was charged entirely to Customer Accounts Expense. Do his duties consist only of those related primarily to meter reading as classified in the annual report? If not, describe his specific duties for the water district.

5. The 1985 Annual Report shows on page 12 payroll taxes of \$1,911 being paid during the year. Please state where the payroll

taxes are shown in Exhibit I - Audit Report of York, Neel and Company.

6. Provide the name of the recipient of 244,680 gallons of water as shown on line 18, page 10 of the 1985 Annual Report which is designated as "Other Sales to Public Authorities". Was this water furnished free of charge?

7. Exhibit O - Comparative Income Statement for the year ended December 31, 1985, shows insurance cost of \$4,200 and the 1985 Annual Report, line 41 of page 11, shows \$1,366, or a difference of \$2,636. Provide an explanation of this difference.

8. The 1983-1984-1985 Annual Reports of Union County show a percentage of line loss for those years of 30.1%, 16.2% and 29% respectively. Provide the following information:

- a. What is the major cause for the line losses experienced during these years?
- b. What steps have been taken by the District to reduce this level of line loss?
- c. Provide a monthly breakdown for water purchases of \$95,071 and water sales of \$325,956 both in dollars and gallons.

9. Provide an amortization schedule for the pro forma FmHA long term debt of \$929,000. Show the annual principal and interest requirements separately.

10. Exhibit O - Comparative Income Statement shows allowable depreciation expense, per books, of \$64,977. Provide the factors

used in the computation of the disallowed portion of depreciation expense of \$8,058.

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

PUBLIC SERVICE COMMISSION

Richard D. W. [Signature]
For the Commission

ATTEST:

Secretary