

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE LAUREL )  
COUNTY WATER DISTRICT NO. 2 OF )      CASE NO. 9569  
LAUREL COUNTY, KENTUCKY, FOR )  
APPROVAL OF RATES )

O R D E R

IT IS ORDERED that the Laurel County Water District No. 2 ("Laurel County No. 2") 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. Laurel County No. 2 shall also furnish with 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. The 1983, 1984, and 1985 Annual Reports of Laurel County No. 2 show a percentage of line loss for those years of 16.16

percent, 16.14 percent, and 19.3 percent 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 Laurel County No. 2 to reduce this level of line loss?
- c. Provide a monthly breakdown related to the 1985 test year for water purchases of \$61,250 and water sales of \$404,699 both in dollars and gallons.
- d. What was the reason that Laurel County No. 2 purchased substantially more water during 1985 rather than use its own production facilities?
- e. Page 11 of the 1985 Annual report of Laurel County No. 2 shows total water treatment expenses of \$120,436 and purchased power expense of \$18,716. Will there be any further decline in water treatment expenses and purchased power expense in future years due to increased purchases of water?

2. Provide an amortization schedule related to 1985 year end long term debt of \$1,050,100 which shows the annual principal and interest requirements through the period of the loan.

3. Provide the following information concerning total salaries and wages paid during the test year ending December 31, 1985:

- a. Name, title and duties of each employee.
- b. Number of hours worked each month or week.

- c. Total test period salary of the employee(s) and the operating expense account the salary was charged relative to the expense account classification shown on page 11 of the 1985 Annual Report.
- d. Method of allocation used where a salary or wage was allocated between more than one operating expense account.
- e. Are the wage records maintained in such a manner as to identify the cost involved related to services rendered with respect to Office Services of \$35,988? If so, please furnish this information.
- f. Provide an explanation for the increases over 1984 cost in the following operating labor expense accounts:

Transmission and Distribution Labor	\$12,034	- 23.1%
Accounting and Collecting Labor	7,009	- 10.1%
Administrative and General Salaries	6,978	- 36.4%

4. Provide a detailed breakdown with a full description of major expenses included in these accounts for the test period. (Items less than \$50 may be grouped and repetitive or like items may be consolidated and shown as a single or combined amount.)

Water Treatment Operation Supplies & Expenses	\$13,899
Maintenance of Meters	\$ 3,979
Customer Accounting Supplies & Expenses	\$16,342
Injuries and Damages	\$13,904

5. Provide a Comparative Income Statement for the test year 1985 which sets out actual operating revenues and expense, other income and other expense, to which any known and measurable

changes can be shown as pro forma adjustments to revenues and expenses, using the account classification as shown on pages 10 and 11 of the annual report. (A copy of the comparative income statement is attached to the Order).

6. Does Laurel County No. 2 anticipate any changes in construction cost and/or related debt cost related to Case No. 9509 which would affect any pro forma adjustments to operating expenses of this rate case?

7. On page number 2 of the 1985 Annual Report of Laurel County No. 2, the account entitled Temporary Cash Investments shows an end of year balance of \$170,000. Has the water district considered using these funds to finance the proposed construction in Case No. 9509 rather than borrow the money through outside sources?

8. Please explain how the proposed revenue was calculated. In reviewing the billing analysis the number of bills and the rate does not change for the first 1,000 gallons; however the revenue shown is different. Please explain how each step is calculated.

9. Are all present non-recurring charges and connection fees compensatory?

Done at Frankfort, Kentucky, this 16th day of July, 1986.

PUBLIC SERVICE COMMISSION

  
FOR the Commission

ATTEST:

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Executive Director

COMPARATIVE INCOME STATEMENT  
 FOR THE TWELVE MONTH TEST PERIOD  
 WITHIN NINETY DAYS OF DATE OF THE APPLICATION

test period

Account	Per Books	Pro-forma* Adjustments	Adjusted
Operating Revenues			
Operating Expenses:			
<b>Total Operating Expenses</b>			
<b>Net Operating Income</b>			
<b>Other Income:</b>			
<b>Interest Income</b>			
<b>Other Deductions:</b>			
<b>Interest Expense-Long-Term Debt</b>			
<b>Other Interest Expense</b>			
<b>Net Income</b>			

\* On a separate sheet of paper please explain the pro-forma adjustment to each expense account