

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTON COUNTY WATER DISTRICT NO. 1)
(A) TO ISSUE REVENUE BONDS IN THE APPROXIMATE)
AMOUNT OF \$21,930,000)
(B) TO CONSTRUCT ADDITIONAL PLANT FACILITIES OF) CASE NO.
APPROXIMATELY \$19,214,000; AND) 9846
(C) NOTICE OF ADJUSTMENT OF RATES EFFECTIVE)
MAY 1, 1987)

O R D E R

IT IS ORDERED that Kenton County Water District No. 1 ("Kenton County") shall file an original and eight copies of the following information with this Commission, with a copy to all parties of record, by May 18, 1987. Moreover, Kenton County shall furnish the name of the witness who will be responsible for responding to questions concerning each area of information outlined below. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. Please provide the calculations and assumptions used to determine the 22.7 M.G.D. average day demand projected for 1990, Exhibit 15, page 12.

2. Kenton County capitalized \$43,363 of wages out of total 1986 payroll costs, including wages and benefits, of \$1,529,287. Please explain the criteria used to determine the amount of wages capitalized.

a. In addition, please state whether any of the employee benefits associated with the capitalized wages were capitalized.

3. Please explain in detail the need for the proposed additional employees per Exhibit 10, page 3.

4. Provide copies of the invoices for expenses incurred to date for the preparation of this case and an itemized estimate of the additional expenses expected to be incurred. Indicate any costs associated with this case that were incurred during the test year. For these costs include the account charged for each amount and a detailed explanation of the services provided by each firm or individual rendering services in connection with this case.

5. Provide a copy of the Auditor's report from your most recent audit.

6. Provide a detailed depreciation schedule of all plant and facilities for the test year. The schedule should show the rates for each plant account, estimated service life in years, the method used, and the balance in each account.

7. Provide a copy of the board resolution approving the 4 percent wage increase effective January 1, 1987. In addition, please submit any support for the 4 percent wage increase.

8. Did all employees receive a 4 percent wage increase in January, 1987? If not who were the eligible employees and how was their percentage increase determined?

9. Has Kenton County considered alternative means of financing the proposed construction project, other than the \$21 million bond issue?

If yes, what alternatives were explored and what were the findings?

10. If not answered in question No. 9, what are the costs and their estimated amount for the following financing options:

- a. Two separate bonds issues of approximately \$11 million each, the second issue to be placed after approximately one-half of the proposed construction is completed.
- b. Financing the construction initially with short-term debt to be replaced with long-term debt when construction is completed. Provide this cost for completing the proposed construction project for the method described in a. above and for one issuance after construction is essentially completed.

11. Has Kenton County considered financing part of the construction with depreciation? Does Kenton County have this ability? Provide a detailed explanation of your answers.

12. What is the interest rate at which Kenton County anticipates placing its proposed bond issue?

13. What is the anticipated time schedule for having all the proposed construction projects under construction? What is the anticipated completion date for all of the proposed projects?

14. Does the test period financial information provided by Kenton County reflect any cost on either the income statement or balance sheet for the defeased 1981 Bonds? If yes, where are these costs included and what were their amounts?

15. What is the maximum dollar amount for funding each of the accounts required by Kenton County's current bond ordinance? Provide these amounts for both the current and proposed bond issues showing all necessary calculations and assumptions.

16. Is the income from operating the Independence Water System reflected on the test period income statement? If yes, where and what amount? If no, provide an explanation for its exclusion.

17. Provide a breakdown for interest on long-term debt of \$1,312,007, shown in Exhibit No. 5, page 1 of 1, line 20. Reconcile this amount to the interest expense shown on Exhibit No. 6, page 6 of 6.

18. Exhibit No. 10, Adjustment No. A.1., shows a line loss of 17 percent. What is Kenton County's reasoning for requesting a 17 percent line loss instead of the 15 percent generally allowed by this Commission?

19. What do employee benefits consist of and which employees are eligible? How are the benefits cost determined?

20. Do the employees contribute to the Delta Dental plan, which was added to the employee benefit package? If yes, how much? Are all employees eligible?

21. Why did Kenton County's share of pension funding increase on August 1, 1986, from 5.25 percent to 5.75 percent? How was this percentage increase calculated? Are all employees eligible? How does this cost compare to other similarly sized utilities?

22. Revenue from water hauling stations, Exhibit No. 8, page 1 of 3, is shown as \$4,792. What was the rate charged for this service during the test year? What is the proposed rate for this service?

23. The present rates for water sold for resale are 45 and 48 cents. Please explain why there are two different rates for this service.

24. The analysis error on Exhibit 8, pages 1 and 2 of 3, is listed as 2.05 percent. Staff calculations show 2.09 percent. Do you agree with the staff's calculations?

25. Please provide a breakdown showing how the revenue of \$8,763 for fire hydrants, lines and by-pass meters was determined as shown on Exhibit No. 8, pages 1 and 2 of 3. Why is there no proposed increase in this revenue?

26. Provide cost justification for the proposed increase in connection fees for the 5/8-inch and 1-inch connections. Cost justification forms are attached for your convenience.

27. Are all other special and non-recurring charges compensatory?

Done at Frankfort, Kentucky, this 5th day of May, 1987.

PUBLIC SERVICE COMMISSION

Richard D. Hansen Jr.
For the Commission

ATTEST:

Executive Director