

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF ADJUSTMENT OF RATES OF)
KENTUCKY-AMERICAN WATER COMPANY) CASE NO. 10481

O R D E R

IT IS ORDERED that Kentucky-American Water Company ("Kentucky-American") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record, by March 15, 1989. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are 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 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. With regard to the professional service expenses as shown in Item No. 26 of the response to the Commission's second information request, is the reduction of the total expense from \$189,999 to \$166,139 a result of providing incorrect information to the Commission's first data request or is an adjustment to the test-year financial statements required?

2. With regard to the response to Item No. 23 of Commission's second information request and given that the test-year expense Account 6332 increased 22.0 percent over the preceding year, please provide the following:

a. Copies of invoices for the two repairs to the pumps totalling \$34,574. All expenses under \$500 can be itemized with a brief description.

b. How frequently repairs of this magnitude are required.

3. As stated in the response to Item No. 23(e) of the Commission's second information request, Kentucky-American experienced 126 broken mains during the last 4 months of 1987. Please provide an analysis of the number of broken mains for the same period for the last 5 years.

4. With reference to the response to Item No. 19(b) of the Commission's first information request, the test-year Account 604 Rent Expense increased 5,950 percent over the 1987 expense. As stated in the response to Item No. 25(a) of the Commission's second information request, a portion of this increase is due to the leasing of a copier machine. Explain the remaining \$10,030 increase in the test-year expense as compared to the 1987 expense.

5. Referring to the response to Item No. 27 of the Commission's second information request, Kentucky-American used a simple average of the wages for the production department's three time shifts. For each employee classification in the production department, provide the number of hours worked for each shift during the test period and calculate weighted-average pro forma wage rates.

6. With regard to the response to Item No. 89 of the Attorney General and Lexington-Fayette Urban County Government's ("AG/LFUCG") first information request, please explain the December 1987 credit of \$5,976 to SUTA.

7. Referring to the response to Item No. 106(g) of the AG/LFUCG's first information request, provide the actual confidence level percentage based upon the 501 sampled final bills, if determinable.

8. In response to Item No. 46(c) of the Commission's initial information request, Kentucky-American provided a 5-year analysis of the Service Company charges. Using the same format, provide the total Regional Service Company charges for the test period and the allocation of the costs to the separate companies served.

9. Provide the basis for allocating the General Service Company charges to all the utilities through the regions.

10. In response to Item No. 19(b) of the Commission's second information request, Kentucky-American refers to formula allocations of Service Company charges that are detailed in the Agreement between Kentucky-American and the Service Company.

Provide a detailed breakdown of the allocations into the eight major categories listed in the Service Company Agreement. Each major category should be divided into its applicable sub-components (i.e., Engineering Services has three allocation components). The total should reconcile with the response to Item No. 46(c) of the Commission's initial information request.

11. The following questions are in reference to the response to Item No. 20 of the Commission's second information request.

a. Kentucky Utilities informed Kentucky-American that an increase in the fuel adjustment factor would occur during 1989. What is the approximate date that Kentucky-American expects the increase to occur?

b. How was the factor of (.00288) determined?

12. In response to Item No. 13(b) of the Commission's second information request, Kentucky-American stated that a portion of the increase in test-period Service Company charges over the preceding 12 months is due to wage increases. The following question's are in reference to the Service Company wages:

a. How are the wage increases determined?

b. Does the Service Company review their wages to ensure that they are maintained within a reasonable level?

c. Does Kentucky-American have a review process to determine if the Service Company wages are reasonable?

13. The following questions are in reference to the response to Item No. 14 of the Commission's second information request:

a. Does Kentucky-American consider the expenses associated with the drought to be either abnormal or unusual?

b. Explain why the drought expenses should not be amortized.

14. Provide an analysis of the actual water sold and the budgeted amount for the 12-months preceding the test period. The analysis should be in the same format as the response to Item No. 50 of the AG/LFUCG's first information request.

15. In response to Item No. 7(a) of the Commission's second information request, Kentucky-American provided a detailed breakdown of Construction Work in Progress ("CWIP") showing projects available for Allowance for Funds Used During Construction ("AFUDC"). Explain why CWIP projects with completion dates outside the test period were excluded from AFUDC (i.e., Richmond Road Treatment Plant Renovation, present cost \$26,490; completion date April 1989).

16. The following questions are in reference to the response to Item No. 38 of the Commission's second information request.

a. Provide a breakdown of the \$1,936,963 of deferred taxes on contributions and customer advances. At a minimum this should include each separate component, a calculation supporting each components' portion of the deferred tax, and a reconciliation of this breakdown to the journal entries.

b. Does Kentucky-American pay Kentucky state taxes on either contributions or customer advances?

c. If applicable, reference the state tax statute that requires contributions and customer advances to be included as taxable income.

d. Has Kentucky-American refunded advances that would affect the deferred taxes? How are these reflected in the test-period deferred taxes?

Done at Frankfort, Kentucky, this 24th day of February, 1989.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director