

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PETITION OF THE HARDIN COUNTY)	
WATER DISTRICT NO. 1 FOR A)	
CERTIFICATE OF CONVENIENCE AND)	
NECESSITY; APPROVAL OF FINANCING OF)	CASE NO. 90-019
THE CONSTRUCTION AND THE ISSUANCE)	
OF BONDS; AND THE APPROVAL OF RATES)	
TO BE CHARGED ITS RETAIL AND)	
WHOLESALE CUSTOMERS)	

O R D E R

IT IS ORDERED that Hardin County Water District No. 1 ("Hardin County") shall file the original and 12 copies of the following information with the Commission, with a copy to all parties of record, by June 12, 1990. 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 ensure 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. If the information cannot be provided by this date, Hardin County should submit a motion for an extension

of time stating the reason an extension is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. With regard to Hardin County's response to Item 5 of the Commission's March 13, 1990 Order, provide the name of the witness responsible for responding to questions related to the adjusting journal entries.

2. In Hardin County's response to Item 15a of the Commission's March 13, 1990 Order, total "Other" advertising expenses are included in the amount of \$1,529.24. Provide an analysis of this amount, being specific as to the purpose of the expenditure(s) and the expected benefit(s) to be derived.

3. Provide the minutes of board of commissioners meetings that took place during the test year.

4. Provide an amortization schedule for the proposed 1990 Bond Issue.

5. Provide a reconciliation of Operating Income in the amount of \$390,738, as shown in the Statement of Operations and Retained Earnings on page 3 of Exhibit 5 of the application, with Operating Income of \$314,756 as shown on page 11 of the annual report, Exhibit 6, Schedule 6.

6. On page 10 of Exhibit 5, Note G, of the application, reference has been made to the purchase of a 1 ton truck and a 3/4 ton truck in 1990.

a. Have pro forma adjustments been included in this application to cover the expense of these purchases?

b. Provide copies of bids and any other available documentation, including proposed financing related to the purchase of these trucks.

c. Provide justification for the need of the two trucks.

7. Page 10 of Exhibit 5, Note H, of the application indicates that \$324,462 of payroll was covered under the retirement plan for 1989. However, total payroll for 1989 was \$447,219. Explain why retirement was not computed based on the total payroll.

8. Page 3 of Exhibit 5 of the application refers to "Write off of net book value of obsolete plant." Provide a detailed explanation of this adjustment. Show all calculations and provide workpapers used to arrive at this adjustment.

9. Exhibit 6, Schedule 10 of the application includes Total Recurring operating expenses of \$1,778,766. Provide workpapers showing the detailed calculation of this amount. Provide explanations for any non-recurring expenses.

10. The Preliminary Engineering Study, Section VI, (Exhibit 3 of the application), estimates the total project cost of the proposed water system improvements to be \$3,669,336.

a. What is the proposed annual depreciation expense for this project? Provide detailed calculations.

b. Has a pro forma adjustment been included in this application to reflect additional depreciation expense resulting from the proposed construction?

11. Does Hardin County anticipate any known and measurable changes to the revenues and expenses reported for the test year. If so, provide detailed workpapers and other applicable documentation for any adjustments.

12. Has Hardin County incurred any rate case expenses as a result of this proceeding? Provide detailed invoices and indicate whether these expenses have been included in test year expenses.

13. In response to question 26 of his testimony, George Mitchell states that Hardin County has taken steps to minimize operating costs. Describe these steps.

14. In response to question 18 of her testimony, Anna Greene discusses the phase-out of Hardin County Water District No. 2 as a wholesale customer. Does Hardin County anticipate customer growth within its service area to offset the phase-out and related operating revenues? Explain.

15. Describe the current status of the phase-out of Hardin County Water District No. 2 as a wholesale customer and the impact of that phase-out on Hardin County.

16. In Exhibit 10 of Hardin County's response to the Commission's March 13, 1990 Order, a footnote states: "In months where amounts sold exceed total amounts treated: Billing periods used to calculate amounts sold do not coincide with water treatment plant records used to calculate total amounts treated." Explain why these billing periods do not coincide.

17. Refer to Exhibit 23 of Hardin County's response to the Commission's March 13, 1990 Order.

a. Explain why employee pension and benefits dropped from \$114,145.10 in 1987 to \$3,385 in the test year.

b. Explain why transmission and distribution salaries increased from \$8,609.01 in 1988 to \$54,754 for the test year.

18. Refer to Hardin County's response to Item 18 of the Commission's March 13, 1990 Order. How does Hardin County determine that an account is uncollectible and written off? What caused the increase in accounts written off from \$3,691 on December 31, 1988 to \$36,535.71 on December 31, 1989?

19. What is Hardin County's policy on capitalizing interest during construction? How is the applicable interest rate determined?

20. Refer to Exhibit 5 of Hardin County's application, page 8, Note D. What is meant by the term "Acquisition Cost" as it is used in this exhibit?

21. Explain how each wholesale customer will benefit for each improvement set out in Preliminary Engineering Study (Exhibit 3 of Hardin County's application).

22. The billing analysis shows test-year revenue from water sales from metered customers in the amount of \$1,426,468. The statement of operations and retained earnings shows revenue from metered customers in the amount of \$1,404,190. Which figure more accurately represents the District's actual revenue? Why?

23. The statement of operations and retained earnings shows revenue from sales for resale in the amount of \$514,521. The water production and expenses table contained in the cost-of-service study shows gallons sold for resale in the amount of

325,174,000. Using test-year actual rates, show how the revenue of \$514,521 was determined from the gallons sold.

24. Explain the symbols (F) and (V) shown in the operating revenue and proposed rates sheet of the cost-of-service study.

25. Explain why there is a (0) in the revenue column beside the (V) resale customer shown on the operating revenue and proposed rates sheet.

26. Show how the proposed revenue shown on the operating revenue and proposed rates sheet was calculated for resale customers. Why is the proposed revenue decreased from test-year revenue?

27. The water production and expenses exhibit contained in the cost-of-service study (Exhibit 6, Schedule 13 of Hardin County's application) shows operating expenses as \$1,764,354. The statement of operation and retained earnings (Exhibit 5, Page 3 of Hardin County's application) shows expenses of \$1,685,773. The comparative operating statement (Exhibit 6, Schedule 6 of Hardin County's application) shows expenses of \$1,360,147. Provide an explanation of the difference between these numbers.

28. Provide a breakdown showing in detail how each allocation and maintenance cost exhibit was derived.

29. Provide a breakdown showing how the use factor for debt service was derived.

30. Provide a breakdown of each operation and maintenance cost used in applying the allocation factors in the cost-of-service study.

Done at Frankfort, Kentucky, this 25th day of May, 1990.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director