

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF ADJUSTMENT OF RATES)
OF BEREA COLLEGE WATER UTILITY) CASE NO. 90-052

O R D E R

IT IS ORDERED that Berea College Water Utility ("Berea Water") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record, not later than May 24, 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. When applicable, the information requested herein should be provided for total company operations and individual operations, separately. If the information cannot be provided by this date, Berea Water 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. In Case No. 10481,¹ the Commission advised all jurisdictional utilities that "adjustments for post test-period additions to plant in service should not be requested unless all revenues, expenses, rate base and capital items have been updated to the same period as the plant additions." File the information required for the adjustments requested by Berea Water or provide a detailed explanation of the circumstances that justify the omission of the required updates.

2. Refer to Exhibit 5, page 1 of the application. Berea Water's test-period level of Construction Work in Progress ("CWIP") is listed at \$2,376,020. Provide a detailed breakdown of CWIP by project. This should be presented as shown in format 7a of this request.

3. Refer to Exhibit 6, page 1 of the application. Berea Water has proposed to retire plant totaling \$684,899. Explain the circumstances necessitating the retirement? When will the retirements occur? Will there be any salvage value for any of the plant to be retired? Why should Berea Water be allowed to include the unrecovered cost in rate base?

4. Refer to Exhibit 7, pages 11-12 of the application. Amortization of the unrecovered cost of utility plant consisting of \$75,624 of meters and \$399,317 of mains and equip-

¹ Case No. 10481, Notice of Adjustment of the Rates of Kentucky-American Water Company Effective on February 2, 1989, Order dated August 22, 1989.

ment is shown. In Item 15, pages 16-19 of Berea Water's response to the Commission's Order of April 11, 1990, a detailed description was provided for the \$399,317 of mains and equipment. With regard to the \$75,624 of meters, provide a detailed description of those items presented in a format like that for the items of mains and equipment. Why was a 10 year amortization period used?

5. Refer to Exhibit 6, page 1 of the application. Will post test-period construction impact either operating revenues or expenses? Explain.

6. Refer to Exhibit 7, page 4 of the application. With regard to proposed salary and wage increases and related increases in fringe benefits to take effect July 1, 1990, provide the basis for this adjustment and how the amount of increase was determined.

7. Refer to Exhibit 7, page 9 of the application. Provide a detailed analysis of rate case expense. At a minimum the analysis should include the hourly rate, a description of the duties performed, and the estimated time to perform each duty.

8. Refer to Exhibit 1, page 5 of the application. Interest expense on short- and long-term debt of \$358,863 is included on the statement of income for calendar year 1989. In preceding pages of Exhibit 1, it is stated that interest paid during 1989 was \$356,056 on the 1987 bond issue, \$376,675 on the 1988 bond issue, and \$2,868 on loans from the Berea College Current Fund which yields a total of \$735,599. Reconcile this amount to the \$358,863 shown on the 1989 income statement.

9. Provide a reconciliation of rate base (\$10,066,338) and capital structure (\$9,867,000).

10. Provide an explanation as to why the balance sheet of December 31, 1989 does not reflect retained earnings.

11. Provide the basis for the requested rate of return of 9.3 percent.

12. In Exhibit 13 of the application, Berea Water normalized revenues using the present and proposed rates. Included in the schedules was an increase in water sales to Industrial Class 3 customers in the amount of 25,452,000 gallons, and an increase in bills for the Sale For Resale Class 6.

a. When does Berea Water expect the increase in sales to certain industries to begin?

b. Are the industries in question existing customers, or will they be new customers?

c. What is the basis for selecting 25,452,000 as the projected increase in sales to these customers?

d. Other than Southern Madison Water District, provide a list of all customers with Sale For Resale service connections.

13. In Cost of Service Exhibit 2, allocation of fire service was estimated, while customer costs were based on records of Berea Water.

a. Describe the method used in determining the estimate for each component of fire service. For example, provide the basis for allocation of materials and supplies to fire service as well as every other component of fire service.

b. Provide a list of all reference materials utilized in the above process.

c. Provide the records used in determining the customer component allocation.

d. If any parts of the customer component were estimated, identify each by account number and provide an explanation of the method used in determining the estimate.

14. In Cost of Service Exhibit 3 and Exhibit 4, the fire service and customer component were allocated based on Berea Water's company records.

a. Provide the records used in determining the fire service and customer component allocation.

b. Under the fire service and customer component, indicate which accounts were allocated based on an estimate, and provide an explanation of the method used to determine the estimate.

15. In Cost of Service Exhibit 10, Berea Water has developed a rate schedule for each class of customer.

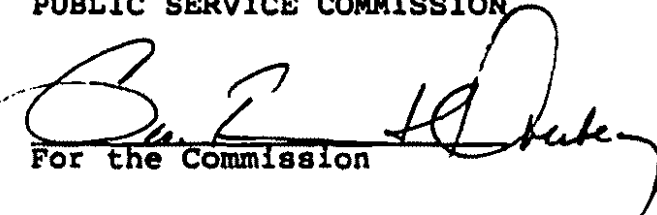
a. Provide the calculations used in determining each rate increment per class of service.

b. Provide the cost information used in determining the proposed rates for Private Sprinkler, Fire Protection Class 7, for each line size.

c. Provide the cost information used in determining the proposed rate for Public and Private Hydrant, Fire Protection Class 8 service.

Done at Frankfort, Kentucky, this 11th day of May, 1990.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director

BEREA COLLEGE WATER COMPANY
Case No. 90-082

Analysis of CWIP

| <u>Project Description</u> | <u>Cost Included in CWIP as of 12/31/83</u> | <u>Cost Incurred to Date</u> | <u>Estimated Completion Cost</u> | <u>Estimated Completion Date</u> | <u>Amount Available for AFUDC</u> |
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