

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTON COUNTY WATER )  
DISTRICT NO. 1 (A) FOR AUTHORITY TO )  
ISSUE PARITY REVENUE BONDS IN THE )  
APPROXIMATE PRINCIPAL AMOUNT OF )  
\$7,315,000 FOR THE PURPOSE OF ) CASE NO. 94-056  
REFUNDING BOND ANTICIPATION NOTES )  
AND FOR OTHER NEEDS; AND (B) NOTICE )  
OF AN ADJUSTMENT IN WATER RATES: AN )  
INCREASE OF APPROXIMATELY )  
\$1,834,000 EFFECTIVE MAY 1, 1994 )

O R D E R

IT IS ORDERED that Kenton County Water District No. 1 ("Kenton District") shall file the original and 12 copies of the following information with the Commission, with a copy to all parties of record, no later than May 23, 1994. Where such information has previously been provided in the original application in the format requested herein, reference may be made to the specific location of this information in responding to this Order. Kenton County shall furnish with each response the name of the witness who will be available at the public hearing to respond to questions concerning each item of information requested.

1. Provide:

a. A schedule of the present and proposed rates, charges, terms and conditions, and service rates and regulations which Kenton District seeks to change, shown in comparative form.

b. A detailed analysis of customers' bills, adjusted to actual usage and in such detail that the revenues from the present and proposed rates can be readily determined.

c. A schedule of test-year revenues for each rate schedule per book rates, present rates annualized, and proposed rates annualized.

d. A schedule setting forth the effect upon average consumer bills.

e. A statement setting forth estimates of the effect that the new rate or rates will have upon the revenues of the utility, the total amount of money resulting from the increase or decrease, and the percentage increase or decrease.

f. A schedule showing by customer class (i.e., residential, commercial, industrial, etc.) the amount and percent of any proposed increase or decrease in revenue distributed to each class. This schedule is to be accompanied by a statement which explains in detail the methodology or basis used to allocate the requested increase or decrease in revenue to each of the respective customer classes.

g. A schedule showing how the increase or decrease in (f) above was further distributed to each rate charge (i.e., customer or usage charge per 1000 gallons, etc.). This schedule is to be accompanied by a statement which explains, in detail, the methodology or basis used to allocate the increase or decrease.

h. A statement showing by cross-outs and italicized inserts all proposed changes in rates, charges, terms and

conditions, and service rules and regulations for each rate or charge. A copy of current tariff may be used.

2. a. Provide monthly water sales and production for the 12 months of the test period, the 12 months preceding the test period, and the most recent period subsequent to the test period, as shown in Format 1.

b. Provide the number of customers and revenue from water sales by month for the same period as 2(a), as shown in Format 2.

3. Provide a trial balance as of the last day of the test year (all income statement accounts should show activity for 12 months) showing account number, account title, and amount. Show the balance in each control and all underlying subaccounts per Kenton District's books.

4. Provide the cash account balances at the beginning of the test year and at the end of each month during the test year.

5. Provide the following information for each item of water property held for future use at the end of the test year:

- a. Description of property.
- b. Location.
- c. Date purchased.
- d. Cost.
- e. Estimated date to be placed in service.
- f. Brief description of intended use.
- g. Current status of each project.

6. Provide the journal entries relating to the purchase of water utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise since Kenton District's inception. Also, a schedule showing the calculation of the acquisition adjustment at the date of purchase of each item of utility plant, the amortization period, and the unamortized balance at the end of the test year.

7. Provide the detailed workpapers showing calculations supporting all accounting, pro forma, end-of-period, and proposed rate adjustments in the rate application to revenue, expense, investment and reserve accounts for the test year and a complete detailed narrative explanation of each adjustment including the reason why each adjustment is required. Explain in detail all components used in each calculation including the methodology employed and all assumptions applied in the derivation of each adjustment. Index each calculation to the accounting, pro forma, end-of-period, and proposed rate adjustment which it supports.

8. Provide a schedule showing a comparison of the balance in the revenue accounts for each month of the test year to the same month of the preceding year for each revenue account or subaccount included in Kenton District's chart of accounts. Include appropriate footnotes to show the month each rate increase was granted and the month the full increase was recorded in the accounts. See Format 3.

9. a. Provide a schedule showing a comparison of the balance of the operating expense accounts for each month of the

test year to the same month of the preceding year for each account or subaccount included in Kenton District's chart of accounts. See Format 3.

b. Provide a schedule in comparative form showing the operating expense account balance for the test year and each of the 5 years preceding the test year for each account or subaccount included in Kenton District's annual report. Show the percentage of increase of each year over the prior year.

c. Provide a schedule of salaries and wages for the test year and each of the 5 calendar years preceding the test year in the format as shown in Format 4 to this request. Show for each time period the amount of overtime pay.

d. Provide a schedule showing the percentage of increase in salaries and wages for both union and non-union employees for the test year and the 5 preceding years.

10. a. Provide a schedule of franchise fees paid to cities, towns, or municipalities during the test year including the basis of these fees.

b. Provide an analysis of test-year other operating taxes in the format as shown in attached Format 5.

11. Provide a statement of water plant in service for the test year. This data shall be presented as shown in Format 6 attached.

12. Provide the following information. If any amounts were allocated, show a calculation of the factor used to allocate each amount.

a. A detailed analysis of all charges booked during the test period for advertising expenditures. This analysis shall include a complete breakdown of Account 913 - Advertising Expenses, as shown in Format 7 attached, and further shall show any other advertising expenditures included in any other expense accounts. The analysis shall be specific as to the purpose of the expenditure and the expected benefit to be derived.

b. An analysis of Account 930 - Miscellaneous General Expenses for the test period. This analysis shall show a complete breakdown of this account as shown in attached Format 8 and further provide all detailed working papers supporting this analysis. At a minimum, the workpapers should show the date, vendor, reference (e.g., voucher no., etc.), dollar amount, and brief description of each expenditure. Detailed analysis is not required for amounts of less than \$500 provided the items are grouped by classes as shown in Format 8 attached.

c. An analysis of Account 426 - Other Income Deductions for the test period. This analysis shall show a complete breakdown of this account as shown in attached Format 9, and further provide all detailed working papers supporting this analysis. At a minimum, the workpapers shall show the date, vendor, reference (e.g., voucher no., etc.), dollar amount, and brief description of each expenditure. Detailed analysis is not required for amounts of less than \$500 provided the items are grouped by classes as shown in Format 9 attached.

13. Provide a detailed analysis of expenses incurred during the test year for professional services, as shown in Format 10, and all working papers supporting the analysis. At a minimum, the working papers should show the payee, dollar amount, reference (e.g., voucher no., etc.), account charged, hourly rates and time charged to the company according to each invoice, and a description of the service provided.

14. Provide a detailed analysis of contributions for charitable and political purposes (in cash or services), if any, recorded in accounts other than Account 426. This analysis shall indicate the amount of the expenditure, the recipient of the contribution, and the specific account charge. If amounts are allocated, show a calculation of the factor used to allocate each amount.

15. Describe Kenton District's lobbying activities and provide a schedule listing lobbyists and including the name of the individual, his salary, organizations or trade associations of which he is a member, and all company-paid or reimbursed expenses or allowances, and the account(s) charged for all lobbying activities on the local, state, or national level. If any amounts are allocated, show a calculation of the factor used to allocate each amount.

16. Provide the following information with regard to uncollectible accounts for the test year and 5 preceding calendar years:

- a. Reserve account balance at the beginning of the year.
- b. Charges to reserve account (accounts charged off).
- c. Credits to reserve account.
- d. Current year provision.
- e. Reserve account balance at the end of the year.
- f. Percent of provision to total revenue.

17. Provide a detailed analysis of the retained earnings account for the test period and the 12-month period immediately preceding the test period.

18. a. Provide a listing of non-utility property and property taxes and accounts where amounts are recorded.

b. Provide a schedule for all non-utility property giving a description, the date purchased, and the cost.

19. Provide employee data for all Kenton District employees as shown in Format 11 attached.

20. Provide all information, as soon as it is known, concerning transactions which would have a material effect on net operating income which occurred after the test year and were not incorporated in the filed testimony, and exhibits.

21. Provide a detailed monthly income statement for each month after the test period, including the month in which the hearing ends, as it becomes available.

22. List all present or proposed research efforts dealing with the pricing of water and the current status of such efforts.



23. Provide a schedule reflecting the salaries and other compensation of each executive officer for the test year and the preceding 2 calendar years. Include the annual percentage increase and the effective date of each increase, the job title, duty and responsibility of each officer, the number of employees who report to each executive officer, and to whom each executive officer reports. For employees elected to executive officer status during the test year, provide the test-year salary of the person whom he or she replaced.

24. Provide an analysis of Kenton District's expenses for research and development activities for the test year and the 5 preceding calendar years. For the test year include the following details:

a. Basis of fees paid to research organizations. Where the contribution is monthly, provide the current rate and the effective date.

b. Details of the research activities conducted by each organization.

c. Details of services and other benefits provided to Kenton District by each organization during the test year.

d. Total expenditures of each organization during the test year, including the basic nature of costs incurred by the organization.

e. Details of the expected benefits to Kenton District.

25. Provide the average number of customers for each customer class (i.e., residential, commercial, and industrial) for the test period and for each month of the test period.

26. Provide a schedule of rate case expenses incurred as a result of this proceeding. This schedule shall include a breakdown of actual or estimated expenses by category (e.g., Accounting, Legal, Engineering, etc.), specifying number of hours worked, hourly rates, and a description of services provided.

27. Provide the names and mailing addresses of each of Kenton District's commissioners.

28. Identify and describe all major system extensions and water plant improvements which Kenton District currently plans to make between 1994 and 1999.

29. Identify and describe in detail any known contingent liabilities which may be assessed against Kenton District.

30. a. Provide a detailed description of Kenton District's intended uses of the proceeds of the proposed bond issuance.

b. (1) Identify all construction projects which Kenton District plans to fund with these proceeds.

(2) For each project, state:

(a) when construction is scheduled to commence.

(b) when, if ever, Kenton District expects to apply for a Certificate of Public Convenience and Necessity. If Kenton District does not expect to apply for a certificate, explain why no certificate will be sought.

31. Provide the minutes and all official notes of all meetings of Kenton District's Board of Commissioners held since October 1991.

32. a. Provide all correspondence, memoranda, and other official or internal documents which discuss or refer to Campbell County Kentucky Water District's ("Campbell District's") water supply contracts with Kenton District.

b. Describe Kenton District's efforts, if any, to enforce its purchase water supply contracts with Campbell District.

c. State Kenton District's present intentions to enforce its purchase water supply contracts with Campbell District.

33. Provide the year-end adjusting journal entries of Kenton District's auditor and all workpapers showing the reconciliation of Kenton District's books to its annual report for the calendar year ending December 31, 1993.

34. Provide a schedule of Kenton District's investments as of December 31, 1993 and their current interest rates.

35. Provide an analysis of test-year interest income. This analysis shall indicate the portion of such income available for operations. It shall also indicate any portion of such income which may not be used to meet operating expenses and describe the restrictions on the use of this income.

36. Provide all workpapers used in the preparation of Kenton District's Cost of Service Study.

Done at Frankfort, Kentucky, this 3rd day of May, 1994.

ATTEST:

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Executive Director

  
\_\_\_\_\_  
For the Commission





KENTON COUNTY WATER DISTRICT

Case No. 94-056

COMPARISON OF TEST YEAR ACCOUNT BALANCES WITH THOSE OF THE  
PRECEDING YEAR

Account Title and Account Number	1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Month	7th Month	8th Month	9th Month	10th Month	11th Month	12th Month	Total
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Test Year  
Prior Year  
Increase  
(Decrease)



Line No.	Item (a)	12 Months Ended										Test Year	
		Calendar years Prior to Test Year											
		5th		4th		3rd		2nd		1st		Amount	\$
Amount	\$	Amount	\$	Amount	\$	Amount	\$	Amount	\$	Amount	\$	(l)	(m)
		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)		
7.	Administrative and general expenses (continued):												
	(g) Employees pensions and benefits												
	(h) Franchise requirements												
	(i) Regulatory commission expenses												
	(j) Duplicate charges-cr.												
	(k) Miscellaneous general expense												
	(l) Rents												
	(m) Maintenance of general plant												
8.	Total administrative and general expenses L7(a) through L7(m)												
9.	Total salaries and wages charged expense (L2 through L6 + L8)												
10.	Wages capitalized												
11.	Total Salaries and wages												
12.	Ratio of salaries and wages charged expense to total wages (L9 : L11)												
13.	Ratio of salaries and wages capitalized to total wages (L12 - L13)												

Note: Show percentage increase of each year over the prior year in Columns (c), (e), (g), (i), (k), and (m).



## KENTON COUNTY WATER DISTRICT

Case No. 94-056

Analysis of Other Operating Taxes  
12 Months Ended

"000 Omitted"

<u>Line No.</u>	<u>Item</u>	<u>Charged Expense</u> (a)	<u>Charged to Construction</u> (b)	<u>Charged to Other Accounts</u> (c)	<u>Amount Accrued</u> (d)	<u>Amount Paid</u> (e)
1.	Kentucky Retail:					
	(a) State Income					
	(b) Gross Receipts*					
	(c) Ad Valorem (Property)					
	(d) Payroll (Employer's Portion)					
	(e) Other Taxes					
2.	Total Kentucky Retail [L1(a) through L1(d)]					
3.	Other Jurisdictions					
	Total Per Books (L2 + L3)					

## Instructions:

\*Actual payments for test year should be shown under the amount paid column.

1. Explain items in column (c).

KENTON COUNTY WATER DISTRICT

Case No. 94-056

STATEMENT OF WATER PLANT IN SERVICE

12 Months Ended

<u>Account Number</u>	<u>Title of Account</u> (a) <u>Intangible Plant</u>	<u>Beginning Balance</u> (b)	<u>Additions</u> (c)	<u>Retirements</u> (d)	<u>Transfers</u> (e)	<u>Ending Balance</u> (f)
301.	Organization					
302.	Franchises and Consents					
303.	Miscellaneous Intangible Plant					
<u>Sources of Supply Plant</u>						
310.	Land and Land Rights					
311.	Structures and Improvements					
312.	Collecting and Impounding Reservoirs					
313.	Lake, River and Other Intakes					
314.	Wells and Springs					
315.	Infiltration Galleries and Tunnels					
316.	Supply Mains					
317.	Other Water Source Plant					
<u>Pumping Plant</u>						
320.	Land and Land Rights					
321.	Structures and Improvements					
322.	Boiler Plant Equipment					
323.	Other Power Production Equipment					

<u>Account Number</u>	<u>Title of Account</u> (a)	<u>Beginning Balance</u> (b)	<u>Additions</u> (c)	<u>Retirements</u> (d)	<u>Transfers</u> (e)	<u>Ending Balance</u> (f)
324.	Steam Pumping Equipment					
325.	Electric Pumping Equipment					
326.	Diesel Pumping Equipment					
327.	Hydraulic Pumping					
328.	Other Pumping Equipment					
	<u>Water Treatment Plant</u>					
330.	Land and Land Rights					
331.	Structures and Improvements					
332.	Water Treatment Equipment					
	<u>Transmission and Distribution Plant</u>					
340.	Land and Land Rights					
341.	Structures and Improvements					
342.	Distribution Reservoirs and Standpipes					
343.	Transmission and Distribution Mains					
344.	Fire Mains					
345.	Services					
346.	Meters					
347.	Meter Installations					
348.	Hydrants					
349.	Other Transmission and Distribution Plant					
	<u>General Plant</u>					
389.	Land and Land Rights					
390.	Structures and Improvements					
391.	Office Furniture and Equipment					
392.	Transportation Equipment					
393.	Stores Equipment					
394.	Tools, Shop and Garage Equipment					
395.	Laboratory Equipment					
396.	Power Operated Equipment					
397.	Communication Equipment					
398.	Miscellaneous Equipment					
399.	Other Tangible Property					

## KENTON COUNTY WATER DISTRICT

Case No. 94-056

## ACCOUNT 913 - ADVERTISING EXPENSE

For the 12 Months Ended

<u>Line No</u>	<u>Item</u>	<u>Sales or Promotional Advertising</u>	<u>Institutional Advertising</u>	<u>Conservation Advertising</u>	<u>Rate Case</u>	<u>Other</u>	<u>Total</u>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1.	Newspaper						
2.	Magazines and Other						
3.	Television						
4.	Radio						
5.	Direct Mail						
6.	Sales Aids						
7.	Total						
8.	Amount Assigned to Ky. Retail						

## KENTON COUNTY WATER DISTRICT

Case No. 94-056

## ACCOUNT 930 - MISCELLANEOUS GENERAL EXPENSES

For the 12 Months Ended

(000's)

<u>Line No.</u>	<u>Item (a)</u>	<u>Amount (b)</u>
1.	Industry Association Dues	
2.	Stockholder and Debt Servicing Expenses	
3.	Institutional Advertising	
4.	Conservation Advertising	
5.	Rate Department Load Studies	
6.	Water, and Other Testing and Research	
7.	Directors' Fees and Expenses	
8.	Dues and Subscriptions	
9.	Miscellaneous	
10.	Total	
11.	Amount Assigned to Ky. Retail	

## KENTON COUNTY WATER DISTRICT

Case No. 94-056

## ACCOUNT 426 - MISCELLANEOUS INCOME DEDUCTIONS

For the 12 Months Ended

(000's)

<u>Line No.</u>	<u>Item (a)</u>	<u>Amount (b)</u>
1.	Donations	
2.	Civic Activities	
3.	Political Activities	
4.	Other	
5.	Total	
6.	Amount Assigned to Ky. Retail	

KENTON COUNTY WATER DISTRICT

Case No. 94-056

Professional Service Expenses

For the Twelve Months Ended

<u>Line</u> <u>No.</u>	<u>Item</u>	<u>Rate Case</u>	<u>Annual Audit</u>	<u>Other</u>	<u>Total</u>
1.	Legal				
2.	Engineering				
3.	Accounting				
4.	Other				
5.	Total				





Calendar Years Prior to <u>Test Year</u> (A)	Administrative and <u>General</u> No. Hrs. Wages (N) (O) (P)			<u>Construction</u> No. Hrs. Wages (Q) (R) (S)			<u>Total</u> No. Hrs. Wages (T) (U) (V)		
	5th Year								
% Change									
4th Year									
% Change									
3rd Year									
% Change									
2nd Year									
% Change									
1st Year									
% change									
Test Year									
% Change									

- NOTE: (1) Where an employee's wages are charged to more than one function include employee in function receiving largest portion of total wages.
- (2) Show percent increase (decrease) of each year over the prior year on lines designated above "% Change."
- (3) Employees, weekly hours per employee, and weekly wages per employee for the week including December 31, of each year and the last day of the test year.