

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PROPOSED ADJUSTMENT OF)	
THE WHOLESALE WATER SERVICE)	
RATES OF THE MUNICIPAL WATER)	CASE NO. 96-277
SYSTEM OF THE CITY OF ASHLAND,)	
KENTUCKY)	

O R D E R

On May 6, 1996, the Municipal Water System of the City of Ashland, Kentucky, ("Ashland") submitted proposed revisions to its existing rate for wholesale water service to Cannonsburg Water District ("Cannonsburg"). Ashland proposed that its increased rate become effective on and after September 20, 1996. On May 21, 1996, the Commission notified Ashland, by letter, that it was required to file a copy of its notice to Cannonsburg and to provide proof of its public notice. Ashland filed this information June 10, 1996. In the meantime, on May 23, 1996, Cannonsburg filed a letter requesting that the Commission investigate Ashland's proposed rate. Cannonsburg was granted full intervention by Order of the Commission on June 19, 1996. By the same Order, the Commission suspended Ashland's proposed rates for five months so that additional proceedings could be conducted to determine the reasonableness of the proposed rates. Ashland was further ordered to submit additional information as required by 807 KAR 5:001, Section 10. After considerable delay, this information was received by the Commission on November 8, 1996.

IT IS ORDERED that Ashland shall file the original and 12 copies of the following information with the Commission within 14 days of the date of this Order with a copy to

all parties of record. Each copy of the information 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 that information in responding to this Order.

1. a. What is the total inch-miles of pipeline in Ashland's system?
 b. Of this amount, how much is used to provide service to Cannonsburg?
2. a. How much of the total capacity of Ashland's water treatment plant is currently reserved for Cannonsburg?
 b. Does Ashland expect any change in this level within the next three years? If yes, state what changes are expected and the reasons for these changes.
3. a. Who owns the master meter(s) used to serve Cannonsburg?
 b. Who maintains the master meter(s) used to serve Cannonsburg?
4. Provide a system map showing all Ashland facilities which are used to serve Cannonsburg.
5. Provide the water usage and rates which GRW Engineers used to determine the current and proposed costs to Cannonsburg.

6. a. Who prepared the "Water and Sewer Rate Study" (contained in Ashland's response to the Commission's August 6, 1996 Order)?

b. Provide a copy of the preparer's curriculum vitae.

c. List the cases before this Commission in which the preparer has submitted a cost-of-service study. Were the studies accepted by the Commission without significant modification?

d. List all utilities (municipal or public) for which the preparer has prepared a cost-of-service study. For each utility, identify the type of utility service (water or sewer) for which the report was prepared.

e. If the preparer has not previously submitted a cost-of-service study to the Commission, provide a representative sample of the studies which he has performed for municipal and public utilities for water and sewer service.

7. Provide a detailed breakdown of the debt service amount allocated to Cannonsburg and justification for the allocations shown on pages 21 and 28.

8. What portion, if any, of the Ashland water line(s) that serve Cannonsburg are gravity fed?

9. How are expenses allocated between Ashland's water and sewer departments?

10. Complete the table below.

City of Ashland	Gallons for 1992
Plant Use	
Line Loss	
Sales (Less Cannonsburg)	
Sales to Cannonsburg	
Free Water or Other	
Total Produced and Purchased	
Total Gallons Sold	

11. Provide detailed justification, including workpapers, for the statement on page 21 of the study which states, "The City may wish to add 15% to the base rate to cover a demand charge and a return on investment."

12. Refer to Table III-2 at Page 15.

a. What is the basis for each allocation of administrative and general expense to the expense categories?

b. Provide a detailed explanation for the "miscellaneous" amount allocated to each category.

c. Provide copies of all insurance policies for which the \$43,748 was expended.

d. Provide a breakdown of professional service expense shown as \$18,903.

13. What is the basis for allocating 100 percent of operation and maintenance expense of the treatment plant to the sales for resale customer classification?

14. What is the basis for allocating 50 percent of transmission expense to the sales for resale classification?

15. Sheet 11 indicates that the fund transfer amount covers the cost of billing, customer accounts and rent. Sheet 15 shows a customer accounts expense of \$589,777 and a fund transfer amount of \$420,710. Provide a detailed breakdown of these accounts as they relate to serving Cannonsburg.


16. Provide a breakdown of the total miles of line in Ashland's system by pipe size, length and miles. Provide a further breakdown showing jointly used miles of line.

17. Provide calculations and explanations for all proposed adjustments in Table III-2 at page 15 and Table III-3 at page 16 which have not already been referred to above.


18. 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), specifying the number of hours worked, hourly rates, and a description of services provided.

Done at Frankfort, Kentucky, this 10th day of January, 1997.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director