

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)
WHOLESALE WATER SERVICE RATES OF) CASE NO.
THE MUNICIPAL WATER SYSTEM OF THE) 96-326
CITY OF HODGENVILLE, KENTUCKY)

O R D E R

IT IS ORDERED that the City of Hodgenville, Kentucky ("Hodgenville") shall file the original and 12 copies of the following information with the Commission by January 27, 1997 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. Identify the witnesses whom Hodgenville will call to testify in support of the proposed rate adjustment. For each witness, identify the subject matter he or she will address, his or her qualifications in that area, and his or her position with Hodgenville.

2. Why should LaRue County Water District No. 1's ("LaRue District") pay for additional storage since it does not exceed its contracted purchase amount of 2,700,000 gallons per month?

3. Refer to Hodgenville's response to the Commission's Order of November 4, 1996, Item 6.

a. Has Hodgenville conducted or commissioned any studies which address the effect of the proposed industrial park on LaRue District's customer base?

b. (1) If yes, provide these studies.

(2) If no, how did Hodgenville determine that the proposed industrial park would have a material affect on LaRue District's customer base?

4. Refer to Hodgenville's response to the Commission's Order of November 4, 1996, Item 19.

a. Hodgenville states that the calculation for obtaining the percent factor for purification as shown on Table 7 is $\$118,166/200,745$ or .5886. Where is the \$118,166 shown?

b. How did Hodgenville arrive at \$200,745 as the sum of purification, distribution and customer accounts shown on Table 7?

c. Refer to Hodgenville's explanation of Table 8.

(1) What do the amounts \$87,749, \$17,278 and \$3,678 represent?

(2) How were these amounts derived?

(3) Where are these amounts shown on Table 8?

5. a. Is any portion of the Hodgenville Industrial Park located within the boundaries of LaRue District?

b. If yes, what portion of the industrial park is located within the boundaries of LaRue District?

c. If no, is Hodgenville aware of any plans to expand the industrial park to place it within the boundaries of LaRue District?

6. Who owns the Hodgenville Industrial Park?

7. Refer to Hodgenville's response to the Commission's Order of November 4, 1996, Item 12(a).

a. Were the insurance policies included in Hodgenville's response written to cover all municipal property and not property used to produce and distribute water?

b. If yes, describe how Hodgenville allocated each policy's cost to its water system. Show all calculations, state all assumptions used for the allocation, and provide the workpapers which support these calculations and assumptions.

c. Hodgenville's Petition and Notice, Exhibit 4, "Water for Resale Rate Study," Table 4, lists the insurance expense for Hodgenville's water system for Fiscal Year 1994 as \$28,544. The premiums for the insurance policies contained in Hodgenville's Response total only \$18,289 for Fiscal Year 1994. Explain the discrepancy.

8. Provide all cost-of-service studies on its water service rates which Hodgenville has conducted or commissioned since 1980.

9. a. In developing Hodgenville's proposed rates, did GRW Engineers use the "cash needs" approach as recognized in American Water Works Association Manual M35?

b. If yes, state whether the inclusion of depreciation expense in determining Hodgenville's revenue requirements is consistent with the "cash needs" approach?

10. Refer to Hodgenville's Petition and Notice, Exhibit 1. Provide all hydraulic analyses and engineering studies which were conducted in connection with or were considered when preparing the preliminary engineering reports. Provide all workpapers for those analyses and studies.

Done at Frankfort, Kentucky, this 13th day of January, 1997.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:



Executive Director