

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT TO THE WHOLESALE)	
WATER RATES OF THE CITY OF CYNTHIANA,)	CASE NO. 99-300
KENTUCKY)	

ORDER

IT IS ORDERED that the city of Cynthiana, Kentucky ("Cynthiana") shall file the original and 8 copies of the following information with the Commission no later than January 18, 2000, 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 its legibility. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order.

1. Refer to Cynthiana's Response to the Commission's Order of October 1, 1999, Item 23.
 - a. Who prepared the breakdown of operating and maintenance expenses set forth in Appendix A?
 - b. Does Mr. Miller agree with the allocation of these expenses between production and distribution?

c. Using the breakdown of expenses set forth in Appendix A and making any necessary revisions, provide a schedule that shows each of the expenses categories set forth in Appendix A, the total amount of that expense, the allocation factor from Exhibit 7 applied to that expense, and the total amount of each expense allocated to Harrison County. The resulting rate from these allocations should equal the proposed wholesale rate as set forth in Exhibit 7. Identify any revisions made to the breakdown set forth in Appendix A.

2. Refer to Cynthiana's Response to the Commission's Order of October 1, 1999, Item 23.

a. What allocation factor was used to allocate chemical expense?

b. Why should chemical expense not be allocated based on the usage factor of 0.4742?

3. a. Explain why Cynthiana has retained outside counsel to prosecute its application rather than using the services of its City Attorney.

b. Provide all documents showing that the Cynthiana City Commission has authorized the employment of outside counsel.

c. Provide all agreements between Cynthiana and its counsel that discuss compensation for legal services to prosecute Cynthiana's application for rate adjustment.

4. Refer to Cynthiana's Response to the Commission's Order of October 1, 1999, Item 23, Exhibit 7. Why is the proposed allocation of 100 percent of rate case expense to Harrison County Water Association ("Harrison County") appropriate?

5. Refer to Cynthiana's Response to the Commission's Order of October 1, 1999, Item 23, Exhibit 7. Why is the use of the water production allocation factor of

.4697 more appropriate when allocating depreciation expense on the proposed raw water pump amount allocated to Harrison County than the use of the transmission factor of 0.4404?

6. Refer to Cynthiana's Response to the Commission's Order of November 29, 1999, Item 21. Provide a detailed itemization of Cynthiana's rate case expenses. This itemization shall, at a minimum, identify each service for which Cynthiana was billed, the hourly rate for such service, and the number of hours worked.

7. Refer to Cynthiana's Response to the Commission's Order of November 29, 1999, Item 21.

a. Why has the estimate of "rate case legal services" been increased to \$35,000?

b. What is the "evolving complexity of the case" to which Cynthiana refers in its response?

8. Refer to Cynthiana's Response to the Commission's Order of November 29, 1999, Item 20, Sheet 1. This sheet is the first sheet of Cynthiana's Response to the Commission's Order of November 29, 1999, Item 21. Provide the first sheet of Cynthiana's Response to Item 20.

9. Refer to Cynthiana's Response to the Commission's Order of November 29, 1999, Item 20(c).

a. (1) Does Cynthiana intend to update its revenues, expenses, and capital to the time period in which the proposed raw water pump is acquired and placed into service?

(2) If yes, state when Cynthiana intends to submit this information to the Commission.

b. If Cynthiana does not intend to update these items, explain why the Commission should deviate from its decision in Case No. 10481¹ and allow the proposed adjustments for the acquisition and installation of the proposed raw water pump for rate-making purposes?

10. a. Does Cynthiana intend to file a revised rate schedule to reflect its current proposed rate of \$2.20 per 1,000 gallons?

b. If no, why not?

11. Refer to Cynthiana's Response to the Commission's Order of November 29, 1999, Item 2. In light of the Commission's decision in Case No. 96-616,² does Cynthiana intend to enact an ordinance setting forth its proposed rate?

12. a. List and describe all discussions between Cynthiana and Harrison County since January 1, 1998 regarding changes in Cynthiana's wholesale water rate.

b. Provide all documents, including correspondence and internal memorandum, in which changes to Cynthiana's existing wholesale water rate were discussed.

13. a. What fee was Cynthiana assessed for Mr. Hensley's "full cost analysis of water and sewer services"?

b. Has Cynthiana reviewed or commissioned a review of its operations for the months since September 30, 1999 to determine if its operations for July 1999 were representative of its normal operations?

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

² Case No. 96-616, The Application of Winchester Municipal Utilities for Approval of the Collection of System Development Charges (October 3, 1997).

14. Refer to Cynthiana's Response to the Commission's Order of November 29, 1999, Item 9(a). Provide a schedule that compares Cynthiana's allocation of salaries and payroll costs to each city division for each month of the period from July 1, 1999 through December 31, 1999.

15. Refer to Cynthiana's Response to the Commission's Order of November 29, 1999, Item 12(c)(1). How should postage expense be allocated between the general fund, water division and sewer division? Explain.

16. Refer to Cynthiana's Response to the Commission's Order of November 29, 1999, Item 18(c). What is the basis for Mr. Hensley's statement that "[t]he 'lives' used are within acceptable practices used by most municipal entities"?

17. Refer to Cynthiana's Response to the Commission's Order of November 29, 1999, Item 17. As of the date of this Order, Cynthiana has yet to provide the requested workpapers and supporting documents. State when Cynthiana expects to submit these documents.

18. Refer to Cynthiana's Response to Harrison County's Supplemental Data Requests of November 29, 1999, Item 2.

a. Does Cynthiana agree that any increase in its wholesale rate to Harrison County without a corresponding increase in its lowest user rate category will deprive Harrison County of a protection the 1987 Water Purchase Contract conferred upon Harrison County and will remove a duty which the 1987 Water Purchase Contract imposed upon Cynthiana?

b. If no, explain why not.

19. a. Does Cynthiana provide fire protection service to its residents?

b. If yes,

(1) How does Mr. Miller's cost-of-service study reflect Cynthiana's provision of such service?

(2) If Mr. Miller's cost-of-service study does not reflect Cynthiana's provision of fire protection service, explain why not.

20. Refer to Cynthiana's Response to Harrison County's Supplemental Data Requests of November 29, 1999, Item 7. As of the date of this Order, Cynthiana has yet to respond to this request. State when Cynthiana expects to submit its response.

Done at Frankfort, Kentucky, this 4th day of January, 2000.

By the Commission

ATTEST:

Executive Director