

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATE OF THE CITY OF WEST) CASE NO. 2001-472
LIBERTY, KENTUCKY)

ORDER

The city of West Liberty, Kentucky (“West Liberty”) proposes to revise its existing rate for wholesale water service to Morgan County Water District (“Morgan District”) effective on and after January 1, 2002. Morgan District has moved to intervene in any Commission proceedings on the proposed rate revision and has requested that the proposed rate be suspended during any Commission investigation of that rate.

Having considered the proposed rate revision and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of the proposed rate. The Commission further finds that Morgan District’s intervention is likely to present issues or to develop facts that assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding.

IT IS THEREFORE ORDERED that:

1. West Liberty’s proposed rate revision is suspended for five months from January 1, 2002 to May 31, 2002.
2. Morgan District’s motion for leave to intervene in this matter is granted.

3. The procedural schedule set forth in Appendix A to this Order shall be followed.

4. All interrogatories and requests for production of documents shall be appropriately indexed. All responses shall include the name of the witness who will be responsible for responding to the questions related to the information provided, with copies to all parties of record and 6 copies to the Commission.

5. At any hearing in this matter neither opening statements nor summarization of direct testimony shall be permitted.

6. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

7. All documents that this Order requires to be filed with the Commission shall be served upon all other parties.

8. To be timely filed with the Commission, a document must be received by the Secretary of the Commission within the specified time for filing except that any document shall be deemed timely filed if it has been transmitted by United States express mail, or by other recognized mail carriers, with the date the transmitting agency received said document from the sender noted by the transmitting agency on the outside of the container used for transmitting, within the time allowed for filing.

9. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

10. West Liberty shall, no later than January 30, 2002, file with the Commission the original and 6 copies of the information listed in Appendix B, with a copy to all parties of record. Each copy of the requested information shall be placed in

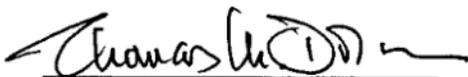
a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. West Liberty shall include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention shall be given to copied material to ensure its legibility.

11. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

Done at Frankfort, Kentucky, this 26th day of December, 2001.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2001-472 DATED 12/26/2001

Intervenors and Commission Staff shall serve interrogatories and requests for production of documents upon West Liberty no later than 02/13/2002

West Liberty shall file with the Commission and serve upon all parties of record and Commission Staff its responses to interrogatories and requests for production of documents no later than 02/27/2002

Intervenors and Commission Staff shall serve supplemental interrogatories and requests for production of documents upon West Liberty no later than..... 03/13/2002

West Liberty shall file with the Commission and serve upon all parties of record and Commission Staff its responses to supplemental interrogatories and requests for production of documents no later than..... 03/27/2002

Intervenor testimony, if any, shall be filed with the Commission and served upon all parties of record in verified prepared form no later than 04/10/2002

Parties and Commission Staff shall serve interrogatories and requests for production of documents upon Intervenors no later than 04/22/2002

Intervenors shall file with the Commission and serve upon all other parties of record and Commission Staff their responses to interrogatories and requests for production of documents no later than 05/02/2002

Public Hearing for the purpose of cross-examination of witnessesTo be announced at a later date

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2001-472 DATED 12/26/2001

1. Provide in written verified form the direct testimony of each witness that West Liberty intends to call at the scheduled hearing in this matter.

2. Provide the independent auditor's reports for West Liberty's water and sewer operations for the fiscal years ending June 30, 1999, June 30, 2000 and June 30, 2001.

3. a. State the test period upon which West Liberty bases its proposed rate adjustment.

b. Explain why this test period was chosen.

4. Provide the general ledgers for West Liberty's water and sewer operations for the proposed test period and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions.

5. For each outstanding revenue bond issuance related to West Liberty's water operations:

a. Provide the bond ordinance or resolution authorizing the issuance of revenue bonds.

b. Provide an amortization schedule.

c. Provide a detailed explanation of why the debt was incurred.

6. List all persons on West Liberty's payroll during the proposed test period. For each employee, state his or her job duties, total wages paid during the fiscal year,

current salary or wage rate, and the percentage of work hours spent performing duties for each city division (e.g., water, sewer, police department, public works) during the fiscal year. If West Liberty's records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how West Liberty derived the estimate.

7. For each employee listed in Item 6, describe how West Liberty allocated his or her payroll and payroll overhead charges to each city division for the proposed test period. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

8. a. List all joint or shared costs that West Liberty incurred during the proposed test period. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among West Liberty's divisions for the proposed test period.

c. Provide all internal memorandums, policy statements, correspondence and documents related to the allocation of joint and shared costs.

9. Provide detailed depreciation schedules for all facilities, plant and equipment used in West Liberty's water operations.

10. Provide an adjusted trial balance and audit adjustments for the proposed test period and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.

11. Provide the “Enterprise Funds Uniform Financial Information Report” that West Liberty submitted to the Kentucky Department of Local Government for the fiscal years ending June 30, 1999, June 30, 2000, and June 30, 2001.

12. a. Complete the table below:

Water Main Size	Total Miles Of Line	Miles Of Lines Jointly Used By Both West Liberty and Its Wholesale Customers
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Who paid for the water main(s) that West Liberty uses to deliver water to West Liberty’s wholesale customers?

c. Besides Morgan District, what other customers, if any, does West Liberty serve from the water mains that it uses to deliver water to these customers?

d. For each customer listed in response to Item 12(c), provide its monthly water usage for each of the previous 24 months.

13. a. What is the maximum capacity of West Liberty’s water treatment plant?

b. (1) How much of West Liberty’s total water treatment plant capacity is currently reserved for Morgan District?

(2) What changes, if any, does West Liberty expect within the next three years in the level of water treatment capacity reserved for each of the customers listed in Item 13(b)(1)? Why does West Liberty expect these changes?

14. a. Who owns the master meter(s) through which West Liberty provides water to the customers listed in Item 13(b)(1)?

b. Through how many master meters does West Liberty provide water service to each of the customers listed in Item 13(b)(1)?

c. Who is responsible for maintaining these master meters?

15. Provide a system map showing all West Liberty facilities that are used to serve the customers listed in Item 13(b)(1).

16. What portion, if any, of West Liberty's water main(s) that serve the customers listed in Item 13(b)(1) are gravity fed?

17. For each month of the previous 36 months, state West Liberty's monthly water sales (in gallons) to Morgan District.

18. Complete the table below:

City of West Liberty	Gallons for Test Period	Gallons for Fiscal Year Ending June 30, 2000
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail Customers		
Sales to Morgan County Water District		
Total Produced and Purchased		
Total Sold		

19. What types of water service (e.g., service to municipal buildings, fire protection, etc.) are included in the unmetered amount? For each type of service, estimate the percentage of the total unmetered amount.

20. Provide the cost-of-service study report to which Mr. Hughes refers in his letter of November 30, 2001 to Thomas M. Dorman.

21. a. Who prepared the cost-of-service study to which Mr. Hughes refers in his letter of November 30, 2001 to Mr. Dorman?
- b. Provide the preparer's curriculum vitae.
- c. List all cases before the Commission in which the preparer has submitted a cost-of-service study.
- 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.