

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE )  
WATER SERVICE RATES OF THE CITY OF ) CASE NO. 2005-00369  
VERSAILLES, KENTUCKY )

COMMISSION STAFF'S SECOND INFORMATION REQUEST  
TO THE CITY OF VERSAILLES

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that the city of Versailles ("Versailles") file with the Commission the original and 8 copies of the following specified information, with a copy to all parties of record. The information requested herein is due on or before April 17, 2006. Each copy of the data 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, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. In its responses to Staff's information request, Versailles stated that the water flows through its entire water system to serve both wholesale customers. Are the majority of the water system lines dedicated to distribution mains for city customers?

a. If the majority of mains are dedicated to the city customers, is it not true that the majority of expenses related to the production and distribution of the water should be borne by the city customers and not the wholesale customer?

b. With the above as a guide, provide the information in the table as the amount of lines that are used as a transmission line to serve your wholesale customers.

| Water Main Size | Total Miles Of Line | Miles of lines used as transmission lines to serve the Wholesale Customers |
|-----------------|---------------------|--|
| 24"             | 8.45                |  |
| 16"             | 7.59                |  |
| 14"             | 0                   |  |
| 12"             | 6.31                |  |
| 10"             | 4.00                |  |
| 8"              | 11.21               |  |
| 6"              | 49.58               |  |
| 4"              | 2.00                |  |
| 2"              | .18                 |  |

2. In response to Item 24 of Staff’s Initial Data Request and Item 12 of the supplemental responses, you reference an attachment. There was no attachment provided. Provide the attachment referenced.

3. In response to the IC and the follow-up letter, Versailles has stated that the rate charged to its wholesale customers is different than the rate stated in the tariff that the Commission has on file.

a. Can you explain why the rates being charged are different from what is in the tariff? If so, explain.

b. Versailles stated at the IC that the proposed increase is an across-the-board 18 percent increase. Refer to the table below. The proposed rates do not represent an 18 percent across-the-board increase. Explain how the proposed rates

were established. Provide all workpapers, state all assumptions that were used, and show all calculations in formulating the rates as proposed by Versailles.

|                | 5/4/04 City Ordinance Rate | 18% increase (Calculated) | Rates Proposed by Versailles | % increase of proposed rates over 5/4/04 City Ordinance Rate |
|----------------|----------------------------|---------------------------|------------------------------|--|
| Meter charge   | 3.29                       | 3.88                      | 3.59                         | 9.1%   |
| First 150,000  | 2.25                       | 2.66                      | 2.65                         | 17.8%  |
| Next 850,000   | 1.98                       | 2.34                      | 2.45                         | 23.7%  |
| Over 1,000,000 | 2.00                       | 2.36                      | 2.35                         | 17.5%  |

4. Refer to the City of Versailles Audited Financial Statements and Supplemental Information for the year ended June 30, 2005 at 14, Statement of Net Assets Proprietary Funds June 30, 2005. On this schedule is the balance sheet for the combined water, sewer, and sanitation divisions. Does Versailles have a balance sheet showing each division separately? If yes, provide.

5. Refer to the City of Versailles Audited Financial Statements and Supplemental Information for the year ended June 30, 2005 at 15, Changes in Net Assets Proprietary Fund for the year ended June 30, 2005. On this schedule are the revenues and expenses for the combined water, sewer, and sanitation divisions. Does Versailles have a schedule showing each division separately? If yes, provide. If no, explain how the rates for each division is calculated.

6. For each revenue bond listed below, state the original purpose of the issuance, provide a copy of the bond ordinance, provide an amortization schedule for each issuance, provide an allocation of the annual debt service payment and the outstanding balance as of June 30, 2005, between each division (water, sewer, and sanitation divisions).

|    | Description                        | Amount       | Current Portion |
|----|------------------------------------|--------------|-----------------|
| a. | Revenue Bonds, Series 1989         | \$ 432,328   | \$ 163,039      |
| b. | Revenue Bonds, Series 1996         | \$ 160,000   | \$ 160,000      |
| c. | Revenue Bonds, Series 1999         | \$ 1,700,000 | \$ 120,000      |
| d. | Revenue Bonds, Series 2003 (KCTCS) | \$ 6,100,000 | \$ 235,000      |
| e. | Revenue Bonds, Series 2001         | \$ 8,780,000 | \$ 365,000      |
| f. | Revenue Bonds, Series 2004         | \$ 8,635,000 | \$ 30,000       |

7. Refer to the response to Item 6 of the IC follow-up letter.

a. For each employee listed on the salary and wage schedule, provide a position title and description of the duties that employee performs.

b. Do any of the water division employees listed on the salary and wage schedule perform any services for the sewer or sanitation divisions? If yes, provide an allocation of the time spent performing services for the other divisions.

c. Explain why Kevin Rexroat and John Lopez do not have salaries listed on the schedule.

8. Refer to the response to Item 7 of the IC follow-up letter.

a. Are there separate bills mailed for the water, sewer, and sanitation divisions?

b. Does each division maintain separate administrative offices?

c. Are there separate employees providing collection services for each utility?



Beth O'Donnell  
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P. O. Box 615  
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Dated: April 6, 2006

cc: Parties of Record