

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WESTERN LEWIS-)
RECTORVILLE WATER DISTRICT FOR) CASE NO.
APPROVAL OF AN INCREASE IN RATES FOR) 2008-00510
WATER SERVICE AND TO REVISE ITS TARIFF)

COMMISSION STAFF'S SECOND INFORMATION REQUEST
TO WESTERN LEWIS-RECTORVILLE WATER DISTRICT

Western Lewis-Rectorville Water and Gas District ("Western Lewis-Rectorville"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies of the following Information, with a copy to all parties of record. The information requested herein is due on or before August 10, 2009. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Western Lewis-Rectorville shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Western Lewis-Rectorville fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. 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 request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Western Lewis-Rectorville’s Response to the Commission Staff’s First Information Request, Item 5 at 183-184, Account - Maintenance Water. For each item listed in Table 1 below, provide a complete and detailed description of the service provided and a copy of all supporting invoices. State whether the service will be required to be performed in the future and the anticipated date that the service will be required to be performed.

Table 1			
	<u>Date</u>	<u>Name</u>	<u>Amount</u>
a.	03/08/07	Dyer Meter Service	1,408.00
b.	05/10/07	Reynolds, Inc.	14,200.00
c.	05/22/07	Reynolds, Inc.	16,539.00
d.	05/25/07	Reynolds, Inc.	6,321.00
e.	06/25/07	Marathon Oil Co.	1,083.56
f.	08/09/07	Reynolds, Inc.	9,023.00
g.	08/27/07	Reynolds, Inc.	9,000.00
h.	09/05/07	Reynolds, Inc.	1,960.00
i.	10/29/07	Reynolds, Inc.	1,589.40
j.	11/01/07	Rawdon Myers Inc.	1,935.36
k.	11/08/07	Rawdon Myers Inc.	1,695.70
l.	11/26/07	Sun Electric, Inc.	1,106.17

2. Refer to Western Lewis-Rectorville's Response to the Commission Staff's First Information Request, Item 5 at 184-185, Account - Materials and Supplies Water. For each item listed in Table 2 below, provide a complete and detailed description of the service provided and a copy of all supporting invoices. State whether the service will be required to be performed in the future and the anticipated date that the service will be required to be performed.

Table 2			
	<u>Date</u>	<u>Name</u>	<u>Amount</u>
a.	01/08/07	Florence Win Water	\$ 2,299.34
b.	01/08/07	Florence Win Water	\$ 228.08
c.	01/08/07	Florence Win Water	\$ 252.40
d.	01/08/07	Florence Win Water	\$ 998.70
e.	02/02/07	HD Supply Waterworks	\$ 1,383.48
f.	02/02/07	Florence Win Water	\$ 1,561.06
g.	02/02/07	Florence Win Water	\$ 491.90
h.	05/22/07	Florence Win Water	\$ 1,539.50
i.	05/22/07	Florence Win Water	\$ 1,310.44
j.	07/23/07	Florence Win Water	\$ 1,108.08
k.	07/23/07	Florence Win Water	\$ 556.40
l.	07/23/07	Florence Win Water	\$ 1,125.60
m.	07/23/07	Florence Win Water	\$ 4,873.05
n.	07/23/07	Florence Win Water	\$ 1,671.50
o.	08/28/07	Florence Win Water	\$ 1,192.11
p.	08/28/07	Florence Win Water	\$ 169.90
q.	09/12/07	Florence Win Water	\$ 2,806.53
r.	09/12/07	Florence Win Water	\$ 221.58
s.	09/12/07	Utility Service and Supply	\$ 1,082.29
t.	11/08/07	Florence Win Water	\$ 203.94
u.	11/08/07	Florence Win Water	\$ 1,498.58
v.	11/08/07	Florence Win Water	\$ 279.10
w.	11/08/07	Florence Win Water	\$ 801.54
x.	11/08/07	Florence Win Water	\$ 365.00
y.	11/08/07	Florence Win Water	\$ 79.80
z.	11/08/07	Florence Win Water	\$ 532.70
aa.	11/08/07	Florence Win Water	\$ 707.23
ab.	12/03/07	HD Supply Waterworks	\$ 1,166.90
ac.	12/06/07	Florence Win Water	\$ 2,143.15

3. Refer to Western Lewis-Rectorville's Response to the Commission Staff's First Information Request, Item 5 at 178, Account - Advertising. For each item listed in Table 3 below, provide a copy of all supporting invoices.

Table 3		
	<u>Account Name</u>	<u>Amount</u>
a.	Lewis County Herald	\$ 258.75
b.	The Lexington Herald	\$ 1,030.00
c.	The Lexington Herald	\$ 1,236.00

4. Refer to Western Lewis-Rectorville's Response to the Commission Staff's First Information Request, Item 5. For each general journal/audit entry listed in Table 4 below, provide an itemized description of the entry.

Table 4					
	<u>Account Name</u>	<u>Name</u>	<u>Memo</u>	<u>Split</u>	<u>Amount</u>
a.	Liability Insurance	Wal-Mart	16	Water Tap	\$ 14,407.96
b.	Contracted Services	Wal-Mart	21	Water Tap	\$ (3,775.00)
c.	Misc. - Other	Wal-Mart	19	Water Tap	\$ (4,200.00)
d.	Misc. - Other	Wal-Mart	21	Water Tap	\$ (2,800.00)
e.	Interest Exp. - Other	Wal-Mart	1	Water Tap	\$ 661.69
f.	Interest Exp. - Other	Wal-Mart	2	Water Tap	\$ (33,500.00)
g.	Loan Payment	Wal-Mart	1	Water Tap	\$ (28,661.00)
h.	Maintenance Water	Wal-Mart	21	Water Tap	\$ (58,852.40)
i.	Mat. & Sup. Water	Wal-Mart	20	Water Tap	\$ 10,929.00
j.	Mat. & Sup. Water	Wal-Mart	23	Water Tap	\$ (19,080.00)
k.	Office supplies	Wal-Mart	21	Water Tap	\$ 604.19
l.	Payroll Expense	Wal-Mart	6	Water Tap	\$ (35,614.74)
m.	Payroll Tax Exp.	Wal-Mart	6	Water Tap	\$ 21,814.74
n.	Payroll Tax Exp.	Wal-Mart	13	Water Tap	\$ (3,200.78)
o.	Payroll Tax Exp.	Wal-Mart	14	Water Tap	\$ (16,433.08)
p.	Payroll Tax Exp.	Wal-Mart	17	Water Tap	\$ 10,602.79
q.	Accounting	Wal-Mart	19	Water Tap	\$ 4,200.00
r.	Retirement Exp.	Wal-Mart	7	Water Tap	\$ (100.35)
s.	Retirement Exp.	Wal-Mart	17	Water Tap	\$ (10,602.79)
t.	Returned Checks	Wal-Mart	7	Water Tap	\$ 100.35
u.	Interest Income	Wal-Mart	4	Water Tap	\$ (886.01)
v.	Interest Income	Wal-Mart	5	Water Tap	\$ (236.26)

5. Refer to Western Lewis-Rectorville's Response to the Commission Staff's First Information Request, Item 5 at 279, Account - Rent.

a. In 2007 Maysville paid \$300 per month to the Orangeburg Volunteer Fire Department for the rental of an office. Provide the monthly office rent Western Lewis-Rectorville is currently paying. Include the copy of the contract between Western Lewis-Rectorville and the Orangeburg Volunteer Fire Department.

b. For each item listed in Table 5 below, provide a complete and detailed description of the service provided and a copy of all supporting invoices.

	<u>Date</u>	<u>Name</u>	<u>Amount</u>
a.	01/11/07	Maysville Rental	\$ 215.35
b.	02/02/07	Maysville Rental	\$ 28.17
c.	03/05/07	Maysville Rental	\$ 61.85
d.	04/04/07	Maysville Rental	\$ 88.55
e.	05/04/07	Maysville Rental	\$ 65.90
f.	06/08/07	Maysville Rental	\$ 129.90
g.	07/09/07	Maysville Rental	\$ 199.55
h.	08/07/07	Maysville Rental	\$ 46.20
i.	11/08/07	Maysville Rental	\$ 706.40

6. Refer to Western Lewis-Rectorville's Response to the Commission Staff's First Information Request, Item 10. Western Lewis-Rectorville identifies four of its employees as "Co Benefits." Explain the term "Co Benefits" and how it impacts the identified employees.

7. Refer to Western Lewis-Rectorville's Response to the Commission Staff's First Information Request, Item 5 and to the Annual Report of Western Lewis-Rectorville's Water Division to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2007 ("2007 Annual Report") at 28. For each expense account reported in the water division's 2007 Annual Report listed in Table 6

below, provide a schedule identifying the general ledger accounts that are included in the reported expense account and any expense allocations used by Western Lewis-Rectorville.

Table 6			
	<u>Account #</u>	<u>Account Title</u>	<u>Amount</u>
a.	618	Chemicals	\$ 4,817.00
b.	636	Contractual Services - Other	\$ 5,342.00
c.	657	Insurance General Liability	\$ 59,494.00
d.	675	Miscellaneous Expense	\$ 31,157.00

8. Refer to Western Lewis-Rectorville's Response to the Commission Staff's First Information Request, Item 12(a).

a. Provide the most recent vendor invoice for health insurance as originally requested. The invoice shall list employees individually by name and state clearly the type of coverage provided.

b. Provide the most recent vendor invoice for employee life insurance. The invoice shall list employees individually by name and state clearly the type of coverage provided.

c. Provide the most recent vendor invoice for employee dental insurance. The invoice shall list employees individually by name and state clearly the type of coverage provided.

9. Provide the employer retirement contribution rate that is currently in effect. Include the notification Western Lewis-Rectorville received from the Kentucky Retirement System of the employer contribution rate that will be effective for the fiscal year July 1, 2009 through June 30, 2010.

10. Provide a schedule listing Western Lewis-Rectorville's insurance coverage (i.e., general liability, workers' compensation, etc.), including type of coverage, annual

premiums, and effective dates. Include copies of invoices received in 2007, 2008 and 2009.

11. Refer to Western Lewis-Rectorville's Response to the Commission Staff's First Information Request, Item 14.

a. For each expense account listed in Table 7 below, provide the historical analysis Western Lewis-Rectorville cited in its response. If an analysis does not exist, provide documentation to support the allocation factors used by Western Lewis-Rectorville.

Table 7				
		<u>Allocation Factors</u>		
	<u>Expense Account</u>	<u>Water</u>	<u>Gas</u>	<u>Historical Analysis</u>
a.	Salaries & Wages - Emp.	75%	25%	Labor Hours and Costs
b.	Salaries & Wages - Off.	75%	25%	Labor Hours and Costs
c.	Chemicals	75%	25%	Exp. Account Transactions
d.	Cont. Services - Other	75%	25%	Exp. Account Transactions
e.	Rental of Building	75%	25%	Exp. Account Transactions
f.	Rental of Equipment	75%	25%	Exp. Account Transactions
g.	Miscellaneous Expenses	75%	25%	Exp. Account Transactions

b. Given that Western Lewis-Rectorville allocates its salaries and wages expense between the water and gas divisions, explain how payroll taxes and employee fringe benefits are directly charged to each division.

c. Western Lewis-Rectorville allocates 25 percent of its chemicals to its gas division. Provide a list of the chemicals that were used by the gas division in 2007. Include the cost of the chemicals in the schedule.

12. Refer to Western Lewis-Rectorville's Response to the Commission Staff's First Information Request, Item 14 and the Commission Staff Report issued in Case No.

1992-00313.¹ In Table 8 below is a comparison of the expense allocation factors for the water division the Commission found reasonable in Case No. 1992-00313 to the factors used by Western Lewis-Rectorville in the test period. Provide a detailed analysis and documentation to explain why Western Lewis-Rectorville's current allocation factors are more appropriate than the allocation factors previously determined reasonable by the Commission.

Table 8			
	<u>Expense Account</u>	<u>Current Factors</u>	<u>Factors Case No. 1992-00313</u>
a.	Maintenance Salaries	75%	80%
b.	Office Salaries	75%	50%
c.	Commissioner Fees	75%	50%
d.	Rent	75%	50%
e.	Insurance - General Liability	Actual	50%
f.	Miscellaneous	75%	50%
g.	Contractual Services	75%	50%

13. In its Response to the Commission Staff's First Information Request, Item 1, Western Lewis-Rectorville states that its commissioners have not recently received an increase in their fees and that the fiscal court ordinance or resolution could not be found. In Case No. 1992-00313, the Commission found that Western Lewis-Rectorville paid each of its four commissioners an annual fee of \$200 for a total expense of \$800; however, Western Lewis-Rectorville shows in its 2007 Annual Reports that the commissioners were

¹ Case No. 1992-00313, *Application of Western Lewis-Rectorville Water and Gas District for a Water Rate Adjustment Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC May 10, 1993).

paid a total of \$15,100.² Identify the year that the Commissioner fees increased to this level and provide documentation to show that the fees were authorized by the appropriate fiscal court. Also, include an explanation as to why the annual commissioner fees vary from \$1,000 to \$6,000.

14. At 28 of its 2007 Annual Report, Western Lewis-Rectorville reports a commissioner fee expense of \$10,350, which is \$2,050³ less than the amount reported at 2 of that same report. Provide a detailed explanation for the discrepancy between the two numbers.

15. Refer to Western Lewis-Rectorville’s Response to the Commission Staff’s First Information Request, Item 5 at 179, Account - Commissioner’s Salaries. Western Lewis-Rectorville recorded a commissioner fee expense of \$13,800, which is \$1,700 less than the amount reported in the 2007 Annual Report of \$15,500. Provide a detailed explanation for the discrepancy between the two numbers.

2	<u>Water at 6</u>	<u>Gas at 1</u>	<u>Totals</u>
Chairman - John Thomas	\$ 4,800	\$ 1,200	\$ 6,000
Secretary - Terry Thomas	2,200	550	2,750
Treasurer - Robert Baxter	2,400	600	3,000
Commissioner - Joe Gantley	800	200	1,000
Commissioner - Robert Applegate	<u>+ 2,200</u>	<u>+ 550</u>	<u>+ 2,750</u>
Totals	<u>\$12,400</u>	<u>\$ 3,100</u>	<u>\$15,500</u>

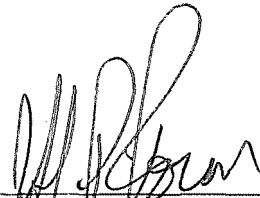
³ \$12,400 (Commissioner Fee at 2) - \$10,350 (Commissioner Fee at 27) = \$2,050.

16. In Case No. 2007-00197,⁴ the Commission authorized Western Lewis-Rectorville to obtain a \$712,000 loan from the U.S. Department of Agriculture's Rural Development ("RD"). Provide a current amortization schedule that includes the entire life of the RD loan and that details the payment amounts, principal retirements, interest payments, interest rates, and outstanding balances.

17. Refer to Western Lewis-Rectorville's Response to the Commission Staff's First Information Request, Item 16. For each long-term debt listed in the response, Western Lewis-Rectorville states that the debt funded major improvements and additions to its gas distribution system. For each loan issuance listed in that response and the RD loan authorized in Case No. 2007-00197, provide a complete description of the gas distribution system improvements that were funded. Also, explain why Western Lewis-Rectorville does not allocate a portion of the long-term debt to its gas division.

18. Refer to Western Lewis-Rectorville's Response to the Commission Staff's First Information Request, Item 15. In the cost-of-service study, the salaries and benefits were allocated using 66 percent for employees in the Transmission and Distribution Category and 34 percent for employees in the Customer, Administrative and General Category. Explain these percentages and how they were derived. Include a listing of the duties performed by each employee and the percentage of time each employee allocates to each task.

⁴ Case No. 2007-00197, Application of Western Lewis-Rectorville Water District, Mason and Lewis Counties, Kentucky, (1) For a Certificate of Public Convenience and Necessity Authorizing Construction of Major Water Service Improvements and Additions to Its Combined Water and Gas Distribution System, (2) Seeking Approval of Revised Water Service Rates and Charges and (3) Seeking Approval of the Issuance of Certain Securities (Ky. PSC June 14, 2007).



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DATED: **JUL 21 2009**

cc: Parties of Record

John H Thomas, Jr.
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