

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ALTERNATIVE RATE ADJUSTMENT FILING )  
OF CUNNINGHAM WATER DISTRICT ) CASE NO. 2011-00455

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION  
TO CUNNINGHAM WATER DISTRICT

Cunningham Water District ("Cunningham"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and four copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this request. 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 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.

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

Careful attention should 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.

1. Refer to Cunningham's Application ("Application"), Revenue Requirements Calculation, Adjustment B, Materials and Supplies Expense. Cunningham proposes to reduce its materials and supplies expense by 50 percent to reflect a normal ongoing expense level.

a. Provide invoices and other billing documents to support Cunningham's proposed 50 percent reduction.

b. Explain how the proposed adjustment meets the ratemaking criteria of being known and measurable.

c. Provide a schedule listing each amount included in this expense account, including: date paid; check number; vendor; description; and amount.

2. Refer to the Application, Revenue Requirements Calculation, Adjustment C, Contract Services. Cunningham proposes to increase the fee paid to its licensed operator from \$800 to \$1,000 per month.

a. In its explanation, Cunningham states that its contract operator has been held at the same pay rate for many years. However, the \$800 monthly operator

fee paid to Eric Young is in accordance with the January 1, 2010 contract. Explain the apparent discrepancy between the statement in the Application and the date of the contract.

b. State the date Cunningham hired Mr. Young as its system operator.

Provide copies of all contracts between Mr. Young and Cunningham.

c. State the date the \$800 monthly operator fee was initially established.

d. Explain why a 25 percent increase in the operator fee is reasonable.

e. Provide the minutes of the Board of Commissioners' meeting in which the increased contract fee was approved.

f. Explain how Cunningham's proposed adjustment meets the ratemaking criteria of being known and measurable.

3. Refer to the Application, Revenue Requirements Calculation, Adjustment D, Insurance Expense. List each insurance premium reflected in the pro forma level of \$2,335. Include the provider, the premium period, coverage type, and the amount of the premium.

4. Refer to the Application, Revenue Requirements Calculation, Adjustment E, Miscellaneous Expense. Cunningham proposes to increase the fee paid to its bookkeeper from \$100 to \$200 per month.

a. Explain why a 100 percent increase in this fee is reasonable and appropriate.

b. Provide the minutes of the Board of Commissioners' meeting in which Cunningham authorized an increase in its bookkeeper's fee.

c. Explain how the proposed adjustment meets the ratemaking criteria of being known and measurable.

5. Refer to the Application, Revenue Requirements Calculation, Adjustment F, Depreciation Expense. Cunningham refers to a water line replacement that costs approximately \$159,985. Describe how Cunningham funded the line replacement.

6. Refer to the Application, Revenue Requirements Calculation, Adjustment G, Amortization Expense. Cunningham paid \$1,700 to Kentucky Small Utility Consulting, LLC to prepare its rate case application. Given that 807 KAR 5:076 was modified to simplify the Alternative Rate Filing process and that Cunningham relied upon Commission Staff assistance in preparing its two previous rate applications, explain why Cunningham sought the services of a consultant to prepare its application.

7. Listed in Table 1 are payments recorded in the contractual services expense account that lack supporting invoices. For each item listed, provide a detailed description of the services that were provided to Cunningham.

	Date	Check #	Vendor	Amount
a.	12/08/10	3403	Jessie Jones	\$ 375.00
b.	04/05/10	3214	Kevin Garrett	\$ 40.00
c.	04/13/10	3391	Kevin Garrett	\$ 80.00
d.	05/17/10	3228	Kevin Garrett	\$ 40.00
e.	06/02/10	3392	Kevin Garrett	\$ 80.00
f.	06/15/10	3393	Kevin Garrett	\$ 80.00
g.	07/21/10	3253	Kevin Garrett	\$ 80.00
h.	09/08/10	3266	Kevin Garrett	\$ 40.00
i.	10/08/10	3291	Kevin Garrett	\$ 80.00

8. Cunningham recorded in its contractual services expense account payments of \$1,200 to its Chairman, Dan Bowels.

a. Describe the services that Mr. Bowels provided to Cunningham for the monthly payments of \$100.

b. State whether the Fiscal Court or the Board of Commissioners authorized the payments. If yes, provide the minutes of the Fiscal Court meeting or meeting of Cunningham's Board of Commissioners in which authorization was granted.

9. Refer to Table 2, a representation of the Billing Analysis filed in the Application, and Table 3, the Billing Analysis created by Commission Staff using the Detail Report information provided by Cunningham in the Application.

a. Explain the difference in the number of Bills in Table 2 and in Table 3.

b. Explain the difference in the revenue calculated in Table 2 and the revenue stated in the Billing Analysis submitted in the Application.

Table 2: Billing Analysis						
	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 3,000	OVER 5,000
FIRST	2,000	487	486,080	486,080		
NEXT	3,000	814	2,791,520	1,628,000	1,163,520	
OVER	5,000	510	4,662,924	1,020,000	1,530,000	2,112,924
TOTALS		<u>1,811</u>	<u>7,940,524</u>	<u>3,134,080</u>	<u>2,693,520</u>	<u>2,112,924</u>
REVENUE BY RATE INCREMENT						
	USAGE	BILLS	GALLONS	RATES	REVENUE	
FIRST	2,000	1,811	3,134,080	\$ 12.48	\$ 22,601.28	
NEXT	3,000		2,693,520	\$ 3.55	9,562.00	
OVER	5,000		2,112,924	\$ 2.48	5,240.05	
TOTALS		<u>1,811</u>	<u>7,940,524</u>		<u>\$ 37,403.33</u>	

Table 3: Billing Analysis						
	USAGE	BILLS	GALLONS	FIRST 2,000	NEXT 3,000	OVER 5,000
FIRST	2,000	527	491,780	491,780		
NEXT	3,000	797	2,731,520	1,594,000	1,137,520	
OVER	5,000	498	4,553,531	996,000	1,494,000	2,063,531
TOTALS		<u>1,822</u>	<u>7,776,831</u>	<u>3,081,780</u>	<u>2,631,520</u>	<u>2,063,531</u>
REVENUE BY RATE INCREMENT						
		BILLS	GALLONS	Rates	Revenue	
FIRST	2,000	1,822	3,081,780	\$ 12.48	\$ 22,738.56	
NEXT	3,000		2,631,520	\$ 3.55	9,341.90	
OVER	5,000		2,063,531	\$ 2.48	5,117.56	
TOTAL		1,822	7,776,831		\$ 37,198.01	

10. Refer to the Billing Analysis filed in Cunningham's Application. Below it is a table titled "2010 Billing Records Summary by Month."

- a. Explain why Cunningham provided this information.
- b. Explain the Rate Revenue stated in this table in comparison to the rate stated in the Billing Analysis provided in Tables 2 and 3 above.

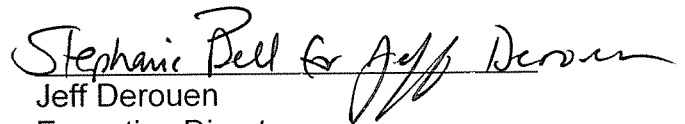
11. In the Detail Report, there is a column labeled "Previous Balance." This column calculates to a total for the year of \$8,262.50. Explain this column in this report.

- a. Explain what this column represents.
- b. State whether Cunningham assessed a penalty for customer late payment. If no, explain why not.

12. Refer to the Statement of Adjusted Operations table filed in the Application. Explain the adjustment of \$2,400 to Water Sales of \$39,803.

13. At page 21 of its 2010 Annual Report, Cunningham states that Total Metered Water Sales was \$39,803. Describe how this amount was calculated. Explain why the Billing Analysis in Cunningham's Application, as well as Tables 2 and 3, state total metered sales amounts that differ from this amount.

14. At page 23 of its 2010 Annual Report, Cunningham states that total water sold to customers was 7,946,000 gallons. Explain the difference between this amount and the amount in Billing Analysis Table 3 above.



Jeff Derouen  
Executive Director  
Public Service Commission  
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DATED FEB 21 2012

cc: Parties of Record

Dan Bowles  
Chairman  
Cunningham Water District  
P. O. Box 644  
Cunningham, KY 42035