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Teresa J. Hill  
Vice Chairman

Gregory Coker  
Commissioner

September 27, 2005

RE: Case No. 2005-00369

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

BOD/jc  
Enclosure

John S. Davis  
Chairman  
Northeast Woodford County Water  
District  
225A South Main Street  
Versailles, KY 40383

Bruce Southworth  
Public Works Director  
City of Versailles  
P. O. Box 625  
Versailles, KY 40303

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 )

ORDER

The city of Versailles, Kentucky ("Versailles") proposes to adjust its existing rate for wholesale water service to Northeast Woodford Water District ("Northeast Woodford District") and South Woodford Water District ("South Woodford District") effective for service on and after October 1, 2005. Northeast Woodford District objects to the proposed adjustment and requests an investigation of the proposed adjustment.

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 revision. The Commission further finds that the intervention of Northeast Woodford District is likely to present issues or to develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding.

IT IS THEREFORE ORDERED that:

1. Versailles' proposed rate revision is suspended for 5 months from October 1, 2005 up to and including February 28, 2006.
2. Northeast Woodford District is granted full intervention status in this proceeding.
3. The procedural schedule set forth in Appendix A to this Order shall be followed.

4. a. 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.

b. Each response shall be under oath or 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.

c. A party shall make timely amendment to any prior response if it obtains information upon the basis of which it knows that the response was incorrect when made, or though correct when made is now incorrect in any material respect.

d. For any request to which a party refuses to furnish the requested information, that party shall provide a written explanation of the specific grounds for its failure to furnish.

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 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.

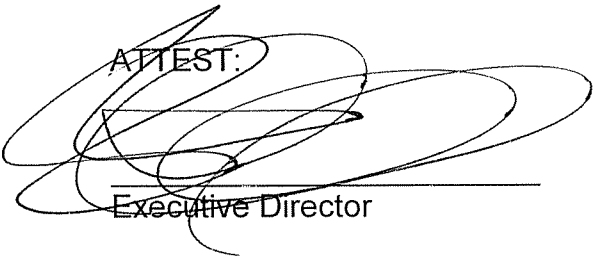
10. Versailles shall, no later than November 4, 2005, file with the Commission the original and 6 copies of the information listed in Appendix B, with a copy to all parties of record. Each copy of the requested information shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Versailles' response shall conform to the requirements set forth in Paragraph 4 of this Order.

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

Done at Frankfort, Kentucky, this 27<sup>th</sup> day of September, 2005.

By the Commission

ATTEST:

  
Executive Director

Case No. 2005-00369

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2005-00369 DATED September 27, 2005.

Versailles shall file its response to the Commission's request  
for information no later than..... 11/04/2005

Intervenors and Commission Staff shall serve their first set of inter-  
rogatories and requests for production of documents upon Versailles  
no later than..... 11/18/2005

Versailles shall file with the Commission and serve upon all parties  
of record and Commission Staff its responses to the first set of  
interrogatories and requests for production of documents no later than ..... 12/02/2005

Intervenors and Commission Staff shall serve their second set of inter-  
rogatories and requests for production of documents upon Versailles  
no later than..... 12/16/2005

Versailles shall file with the Commission and serve upon all parties  
of record and Commission Staff its responses to the second set of  
interrogatories and requests for production of documents no later than ..... 01/06/2006

Intervenor testimony, if any, shall be filed with the Commission  
and served upon all parties of record in verified prepared form  
no later than..... 01/20/2006

Parties and Commission Staff shall serve interrogatories and  
requests for production of documents upon Intervenors no later than..... 02/03/2006

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..... 02/17/2006

Public Hearing, beginning at 9:30 a.m., Eastern Standard Time,  
at the Commission's offices at 211 Sower Boulevard, Frankfort,  
Kentucky, for the purpose of cross-examination of witnesses ..... To Be Announced

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2005-00378 DATED September 27, 2005.

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

2. Provide the independent auditor's reports for Versailles' water operations and sewer operations, shown separately, for the fiscal years ending June 30, 2003, June 30, 2004, and June 30, 2005.

3. a. State the 12-month test period upon which Versailles bases its proposed rate adjustment.

b. Explain why this test period was chosen.

4. Provide the general ledgers for Versailles' 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 Versailles' water and sewer operations, provide:

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

b. An amortization schedule.

c. A detailed explanation of why the debt was incurred.

d. A calculation of the annual debt service payment, including all required payments to debt service reserve accounts or funds, for each of the next 3 years.

6. List all persons on Versailles' 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 Versailles' records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how Versailles derived the estimate.

7. For each employee listed in Item 6, describe how Versailles 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 Versailles 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 Versailles' 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 the water and sewer divisions. A separate schedule shall be provided for each division.

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 Versailles submitted to the Kentucky Department of Local Government for the fiscal years ending June 30, 2003, June 30, 2004, and June 30, 2005.

12. a. Identify all persons or entities to which Versailles provides wholesale water service.

b. For each customer listed above, provide for each of the previous 24 months its monthly water usage and the amount that Versailles charged it for service.

13. a. Complete the table below:

Water Main Size	Total Miles Of Line	Miles Of Lines Used By Versailles To Serve Its Wholesale Customers
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Who paid for the water main(s) that Versailles uses to deliver water to Versailles' wholesale customer(s)?

14. a. What is the maximum capacity of Versailles' water treatment plant?

b. For each of the customers listed in response to Item 12(a), state:

(1) The amount of Versailles' total water treatment plant capacity currently reserved for that customer.

(2) The minimum and maximum quantity of water (in gallons) that the customer may purchase in a month under the terms of its present water purchase contract with Versailles.

c. Describe the changes, if any, that Versailles expects within the next 3 years in the level of water treatment capacity reserved for each of the customers listed in Item 12(a) and state the reason(s) for Versailles' expectations.

15. a. Who owns the master meter(s) through which Versailles provides water to the customers listed in Item 12(a)?

b. Through how many master meters does Versailles provide water service to each of the customers listed in Item 12(a)?

c. Who is responsible for maintaining these master meters?

16. Provide a system map showing all Versailles facilities that are used to serve the customers listed in Item 12(a). This map shall, at a minimum, show all master meters, pumping stations, storage tanks, water transmission mains and water distribution mains used to serve the customers listed in Item 12(a). The size of all mains shall be clearly indicated on this map.

17. What portion, if any, of Versailles' water main(s) that serve the customers listed in Item 12(a) are gravity fed?

18. a. List Versailles' water sales (in gallons) for each month of the previous 36 months for each of its wholesale customers and for its retail customers.

b. List the total amount billed by Versailles for water service for each month of the previous 36 months to each of its wholesale customers and to its retail customers.

19. Provide Versailles' current rate schedule for its retail customers and for each of its wholesale customers.

20. Complete the table below:

Versailles	Gallons for Test Period	Gallons for Fiscal Year Ending June 30, 2005
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail		
Sales to Northeast Woodford District		
Sales to South Woodford District		
Sales to Other Wholesale Customers		
Total Produced and Purchased		
Total Sold		

21. a. State whether Versailles provides unmetered water service to any entities (e.g., service to municipal buildings, fire departments or protection services).

b. If unmetered service is provided, then for each type of service, estimate the percentage of the total unmetered amount.

22. Provide a copy of the cost-of-service study upon which the proposed rate is based.

23. a. Identify the person who prepared the cost-of-service study upon which the proposed rate is based.

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.

24. If the proposed rate is not based upon a cost-of-service study, describe how Versailles determined the proposed wholesale rate and state who participated in the determination.

25. Provide the ordinance or resolution of the Versailles City Council in which the proposed rate adjustment was approved.

26. Provide the minutes of each meeting of the Versailles City Council since January 1, 2002 in which a proposed rate adjustment to Versailles' wholesale customers was discussed.

27. Provide a copy of all correspondence, electronic mail messages, or other written communications between Versailles and its wholesale customers since January 1, 2000 regarding revisions to Versailles' wholesale rate.

28. Provide all contracts for water service between Versailles and Northeast Woodford District and/or South Woodford that have not been filed with the Commission.

29. a. State the annual effect of the proposed rate adjustment on Versailles' revenues from wholesale water service to each of its wholesale water service customers.

b. Show all calculations made and state all assumptions used to derive the response to Item 29(a).