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Commissioner

February 10, 2006

William K. Moore, Esq.  
126 South Main Street  
Versailles, Kentucky 40383

Re: Case No. 2005-00369  
City of Versailles, Kentucky

Dear Mr. Moore:

At the conference held on January 12, 2006, Commission Staff agreed to review the City of Versailles' responses to the Commission's Order of September 27, 2005, identify any deficiencies and suggest possible courses of action that would expedite Commission review of Versailles' application. Attached are the results of Commission Staff's review and a proposed procedural schedule that Commission Staff intends to recommend to the Commission

If you have any questions regarding Commission Staff's review or the proposed procedural schedule, please contact me at (502) 564-3940, extension 259.

Sincerely,

Gerald E. Wuetcher  
Assistant General Counsel

Attachments  
cc: Parties of Record

## DEFICIENCIES - SUGGESTED REVISIONS

1. State the water rates that Versailles has been charging Northeast Woodford Water District and South Woodford Water District since June 10, 2004.

2. **Response to Item 2.** Provide the independent auditor's reports for Versailles' water and sewer operations, shown separately, for the fiscal year ending June 30, 2005 (when available).

3. **Response to Item 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 should include all check registers and spreadsheets used to record and track financial transactions.

4. **Response to Item 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.

e. A schedule allocating the total outstanding debt and debt service payment between the water and sewer operations. Include all assumptions, calculations and work papers used in the allocations.

5. **Response to Item 6.**

a. List all persons on Versailles' payroll during the calendar year ending June 30, 2005. 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.

b. Have the employees listed above been granted an increase in pay since June 30, 2004? If yes, provide the date of the increase, the current salary or wage rate, the basis for the increase, and the calculation of the effect of the increase has upon the total wages paid during the fiscal year 2005. Include all assumptions, calculations, and work papers used in this response.

c. Identify each employee position listed above that has become vacant since June 30, 2005. State whether the position remains vacant or if it has been filled. If the position has been filled, provide the date the new employee was hired and the current salary or wage rate.

6. **Response to Item 7.** For each employee listed in the previous response, 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.

7. **Response to Item 8.**

a. List all of the water and sewer operations' joint or shared costs that were 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 that Versailles uses to allocate joint and shared costs between its water and sewer operations.

8. **Response to Item 10.** Provide an adjusted trial balance and audit adjustments for the fiscal year ending June 30, 2005. The trial balance should trace and reference directly to the general ledgers requested in Item 4 of the Order of September 27, 2005.

9. **Response to Item 13.** In its initial response, Versailles indicated that 94 percent of its total water mains were used to provide wholesale water service. Such an amount is unusually large. Versailles should review its initial submission and confirm its initial response. Versailles should also state for each size of main the total miles of main that are dedicated solely to serve a wholesale customer.

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

10. **Response to Item 15.** Describe how Versailles bills South Woodford Water District since 5 meters are used. (Is the water usage for all meters totaled to produce a total volume which is then applied to Versailles' rate schedule? Is a separate bill rendered for usage at each meter and then added together to produce a total bill?)

11. **Response to Item 18.** State whether the usage on the sheet labeled "Wholesale Water Billed" is measured in gallons.

12. **Response to Item 24.** Describe how Versailles determined the proposed wholesale rate. Identify the person(s) who participated in the development of the proposed wholesale rate. Provide the information that Stan Kramer provided to Versailles for use in the development of the proposed rate.

**REVISED PROCEDURAL SCHEDULES - PROPOSED**

Versailles will supplement its response to the Commission's request for information no later than .....02/24/2006

Intervenors and Commission Staff shall serve their first set of interrogatories and requests for production of documents upon Versailles no later than .....03/10/2006

Versailles will 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 .....03/24/2006

Intervenors and Commission Staff will serve their second set of interrogatories and requests for production of documents upon Versailles no later than .....03/31/2006

Versailles will 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 .....04/14/2006

Intervenor testimony, if any, will be filed with the Commission and served upon all parties of record in verified prepared form no later than .....04/28/2006

Parties and Commission Staff will serve interrogatories and requests for production of documents upon Intervenors no later than .....05/09/2006

Intervenors will 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 .....05/16/2006

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