

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HICKORY WATER DISTRICT) CASE NO.
FOR APPROVAL OF INCREASED RATES FOR) 2009-00350
WATER SERVICE)

O R D E R

On August, 28, 2009, Hickory Water District (“Hickory”) filed an application for approval of increased rates for water service. Hickory proposed that its increased rate become effective on September 30, 2009. 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.

IT IS THEREFORE ORDERED that:

1. Hickory’s proposed rate revision is suspended for five months from September 30, 2009 up to and including February 28, 2010.
2. Hickory shall, no later than October 16, 2009, file with the Commission the original and six copies of the information listed in the Appendix to this Order, with a copy to all parties of record.
 - a. All interrogatories and requests for production of documents shall be appropriately bound, tabbed, and indexed. All responses shall include the name of the witness who will be responsible for responding to the questions related to the information provided.

b. 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.

c. A party 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.

d. For any request to which a party fails or refuses to furnish all of part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

3. At any hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

4. 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.

5. All documents that this Order requires to be filed with the Commission shall be served upon all other parties.

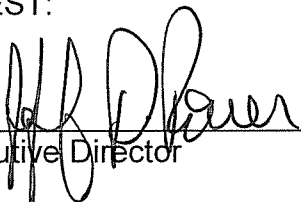
6. Service of any document or pleading shall be made in accordance with 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

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

By the Commission

ENTERED *M*
SEP 25 2009
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2009-00350 DATED **SEP 25 2009**

1. Provide a complete copy of the workpapers, calculations, and assumptions Hickory used to develop its pro forma test-period financial information.

2. List all business activities of Hickory aside from its regulated utility activities. For each activity listed, describe the accounting policies and procedures in place to ensure that those activities are not subsidized by regulated rates or vice versa.

3. Provide a schedule listing each project included in the test-period Construction Work in Progress. Include a detailed description of each project included in the schedule.

4. Provide a test-period general ledger showing each account number, subaccount number, account title, subaccount title, and all entries to each account. For each entry, state the date paid, vendor name, check number used to make payment, and the amount. The general ledger shall include all asset, liability, capital, income, and expense accounts used by Hickory. All accounts should show activity for 12 months. Show the balance in each control and all underlying subaccounts per company books.

5. For each cash account used by Hickory during the test year, provide a cash disbursements ledger that lists all checks in chronological order and details the date paid, check number, vendor, and amount.

6. Reconcile the test-period general ledger expense accounts to the expense amounts reported on page 30 of Hickory's 2009 annual report.

7. Provide a copy of all audit adjustments made for the test-period financial statements.

8. a. Provide a list of all employees employed during the test period. For each employee listed, provide the following:

- (1) Name;
- (2) Title;
- (3) Length of employment with Hickory;
- (4) Job duties;
- (5) Test-period pay rate and current pay rate;
- (6) Test-period regular time worked and overtime worked;
- (7) Percentage of test-period payroll capitalized;
- (8) Total test-period payroll expensed and capitalized; and
- (9) Type of employee benefits (i.e., health insurance, dental insurance, vision insurance, pension, etc.) and amounts paid for each by Hickory.

b. Provide a copy of the employee information requested in 8(a) on a computer disk in Microsoft Office Excel format.

c. Provide the employer retirement contribution rate(s) that were effective during calendar years 2007 and 2008, including the date the rate became effective.

d. If the employer retirement contribution rate will be changed in calendar years 2009 or 2010, provide the rate and the date it will become effective.

e. Provide the notification Hickory received from the Kentucky Retirement Systems of the employer contribution rate that will be effective for the fiscal year July 1, 2009 through June 30, 2010.

9. Provide a detailed list of all fringe benefits available to Hickory employees, the actual test-period cost of each benefit, and the pro forma cost. Provide comparative cost information for calendar years 2008 and 2009. Indicate which fringe benefits, if any, are limited to management or full-time employees. Explain any changes in fringe benefits occurring during this period.

10. Provide the most recent vendor invoice for health insurance. The invoice shall list employees individually by name and state clearly the type and cost of the coverage provided. Identify whether the employee is responsible to pay for a portion of his health insurance coverage and identify the amount each employee is responsible to pay.

11. a. Provide a schedule detailing all test-period expenditures related to the application filed in this current proceeding. Provide in the schedule the nature and amounts of all charges along with copies of vendor invoices. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate. Identify the account number and title to which each amount was charged.

b. Provide the anticipated total cost of this case upon completion. The projected amount should be detailed by type of service and vendor with supporting documentation for each.

c. Provide a monthly update of the schedule requested in 11(a) showing all of the costs incurred as of that date. Include the supporting detailed vendor invoices as requested in 11(a).

12. Provide a schedule listing Hickory's insurance coverage(s), including type of coverage, annual premiums, and effective dates. Include copies of invoices received in 2008 and 2009.

13. Provide a copy of Hickory's depreciation schedule supporting the calendar year 2008 depreciation expense.

14. For each debt of Hickory currently outstanding or outstanding during the test year:

a. Provide the bond ordinance or resolution authorizing each bond issuance or long-term loan.

b. Provide a current amortization schedule that includes the entire life of the loan or bond and that details the payment amounts, principal retirements, interest payments, interest rates, and outstanding balances. The amortization schedules should be for the entire life of each debt listed and should detail the payment amounts, principal retirements, interest payments, interest rates, and outstanding balances.

c. For each long-term debt issuance, cite the proceeding in which Commission approval of the financing was granted.

d. Provide a description of the use of the borrowed funds.

Sam Davis
Chairman
Hickory Water District
P. O. Box 128
Hickory, KY 42051