

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)
WHOLESALE WATER SERVICE RATES OF) CASE NO. 2011-00240
THE JACKSON COUNTY WATER)
ASSOCIATION)

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO JACKSON COUNTY WATER ASSOCIATION, INC.

Pursuant to 807 KAR 5:001, Jackson County Water Association ("Jackson County") shall file with the Commission within 20 days of the date of this Order the original and ten copies of the following information, with a copy to all parties of record. 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.

Jackson County 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

Jackson County fails or refuses to furnish all or part of the requested information, Jackson County 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to “Jackson County Water Association: Determination of Wholesale Water Rate for Satellite Utilities,” Exhibit 5. Regarding the 1996 bond issuance, which has a reported annual debt service of \$113,915:

- a. Describe the nature of the obligation (bonded debt or loan agreement).
- b. Identify the creditor or lender.
- c. State the amount of the original obligation.
- d. State the amount of the obligation remaining as of October 1, 2011.
- e. Describe the use of the loan proceeds.
- f. Provide an amortization schedule for the obligation.
- g. State the case number of the Commission proceeding in which Jackson County Water Association received authorization to undertake the obligation.

2. Refer to “Jackson County Water Association: Determination of Wholesale Water Rate for Satellite Utilities,” Exhibit 5, and Jackson County’s Response to the Commission Staff’s First Request for Information, Item 17.

a. For each of the loans listed below, provide the number of the Commission proceeding in which Jackson County received authorization to issue the evidence of indebtedness:

- (1) Loan No. 9103 - \$541,000.
- (2) Loan No. 9104 - \$90,000.
- (3) Loan No. 9107 - \$1,214,000.
- (4) Loan No. 9111 - \$1,130,000.
- (5) Loan No. 9114 - \$685,000.

b. The United States Department of Agriculture Rural Development (“RD”) requires its borrowers to maintain a debt service coverage (“DSC”) of 1.2 times. Explain why Jackson County used a DSC of 1.1 times¹ in its coverage calculation.

3. Refer to Jackson County’s Response to the Commission Staff’s Initial Information Request, Item 1.

a. Provide all cost-of-service studies that Jackson County used to develop its current retail rates.

b. Describe how Jackson County considered depreciation expense in the development of its current retail rates. Identify amount of depreciation expense included in revenue requirement that the rates are intended to recover. Identify all depreciation schedules used in the calculation of this amount.

¹ $\$55,538 \text{ (Coverage)} \div \$555,378 \text{ (Annual Debt Service)} = 0.1.$

c. If Jackson County's current retail rates were not developed to recover any depreciation expense, explain why:

(1) Jackson County did not include any depreciation expense in its retail rates.

(2) It is reasonable to include depreciation expense in wholesale rates and not in retail rates.



Jeff Derouen
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DATED: JAN 20 2012

cc: Parties of Record

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