

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE OF KENTUCKY WATER )  
SERVICE COMPANY INC., OF )  
ADJUSTMENT OF WATER RATES ) CASE NO. 8370  
IN SOMERSET, MIDDLESBORO, )  
AND CLINTON, KENTUCKY AND )  
ENVIRONS, ON NOVEMBER 9, )  
1981 )

O R D E R

IT IS ORDERED that Kentucky Water Service Company, Inc., shall file with the Commission by December 18, 1981, 5 copies of the following information, with one copy to the Attorney General's Division of Consumer Protection. Where a number of sheets are requested for an item, each sheet should be appropriately indexed, for example, Item 2B, sheet 1 of 3. Careful attention should be given to copied material to insure that it is legible.

1. The detailed workpapers showing calculations supporting all revenue, expense, and tax adjustments (Exhibit 100) in the rate application, together with a detailed explanation of each component used in each calculation. Index each calculation and related explanation to the pro forma adjustment it supports.

2. A complete listing of outstanding short-term debt of \$2,300,000. Exhibit 4 of the application showed only \$1,650,000.

3. A complete explanation of any cost allocations between the Somerset, Middlesboro, and Clinton service areas.

4. The following tax data for the test year:

A. Income Taxes

- (1) Federal operating income taxes deferred-accelerated tax depreciation.
- (2) Federal operating income taxes deferred-other (explain).
- (3) Federal income taxes-operating provision for current year liability.
- (4) Income credit resulting from prior deferrals of Federal Income Taxes.
- (5) Investment tax credit net.
  - (I) Investment credit realized.
  - (II) Investment Credit amortized - Pre Revenue Act of 1971
  - (III) Investment credit amortized - Revenue Act of 1971
- (6) Provide the information in 4A(1) through 4A(4) for state income tax.
- (7) Reconciliation of net income per book to book taxable income and taxable income per tax return as shown in Formats 4A and 4B attached and a calculation of each component of Federal and state income tax expense for the test year.
- (8) A copy of Federal and state income tax returns for the taxable year ended during the test year, including supporting schedules (three copies required).

5. Indicate which option the Company chose of the 3 set forth in Code Section 46(f) of the Revenue Act of 1971. Provide documentation of the election taken by the Company and of the approval of the Company's election by the Internal Revenue Service.

6. A schedule of total company salaries and wages for the test year and the 5 most recent calendar years as shown in Format 6 attached.

7. A schedule of the utility plant in service showing the depreciation rate applied to each account.

8. A detailed analysis of advertising expenditures during the test period indicating the purpose and expected benefit of each expenditure as well as the dollar amount and specific account charged.

9. A detailed analysis of contributions for charitable and political purposes (in cash or services). This analysis should indicate the amount of the expenditure, the recipient of the contribution and the specific account charged.

10. A complete list of the Company's stockholders and the number of shares held by each stockholder. Indicate the purchase price per share of stock for any shares sold at a price in excess of par.

11. A detailed analysis of expenses incurred during the test year for professional services. This should include a complete breakdown of the expenditures as shown in Format 11 attached, and all detailed working papers supporting the analysis. At minimum the working papers should show the payee, dollar amount, reference (i.e. voucher no., etc.), account charged and a description of the service provided.

12. A month by month schedule of water purchases at Middleboro for the test year.

Done at Frankfort, Kentucky, this 20th day of November, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Tish  
For the Commission

ATTEST:

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Secretary

Kentucky Water Service Company, Inc.

Format 4A

Case No. 8370

RECONCILIATION OF BOOK NET INCOME AND FEDERAL TAXABLE INCOME

12 Months Ended July 31, 1981

Line No.	Item (a)	Total	
		Company (b)	Non-operating (c)
1.	Net income per books		
2.	Add income taxes:		
3.	A. Federal income tax-Current		
4.	B. Federal income tax deferred-Depreciation		
5.	C. Federal income tax deferred-Other		
6.	D. Investment tax credit adjustment		
7.	E. Federal income taxes charged to other income and deductions		
8.	F. State income taxes		
9.	G. State income taxes charged to other income and deductions		
10.	Total		
11.	Flow through items:		
12.	Add (itemize)		
13.	Deduct (itemize)		
14.	Book taxable income		
15.	Differences between book taxable income and taxable income per tax return:		
16.	Add (itemize)		
17.	Deduct (itemize)		
18.	Taxable income per return		

- NOTE:
- (1) Provide a calculation of the amount shown on lines through above.
  - (2) Provide work papers showing the calculation of straight-line tax depreciation and accelerated tax depreciation and all other work papers in support of the calculation of Federal income tax expense.
  - (3) Provide a schedule setting forth the basis of allocation of each item of revenue or cost allocated above.

Kentucky Water Service Company, Inc.

CASE NUMBER 8370

RECONCILIATION OF BOOK NET INCOME AND STATE TAXABLE INCOME

12 Months Ended July 31, 1981

Line No.	<u>Item</u> (a)	<u>Total</u> <u>Company</u> (b)	<u>Total</u> <u>Company</u> <u>Non-operating</u> (c)
1.	Net income per books		
2.	Add income taxes		
3.	A. Federal income tax - Current		
4.	B. Federal income tax deferred- depreciation		
5.	C. Federal income tax deferred- Other		
6.	D. Investment tax credit adjustment		
7.	E. Federal income taxes charged to other income and deductions		
8.	F. State income taxes		
9.	G. State income taxes charged to other income and deductions		
0.	Total		
1.	Flow through items:		
2.	Add (itemize)		
3.	Deduct (itemize)		
4.	Book taxable income		
5.	Difference between book taxable income and taxable income per tax return:		
5.	Add (itemize)		
7.	Deduct (itemize)		
3.	Taxable income per return		

NOTE: (1) Provide a calculation of the amounts shown on Lines 3 through 7 above.

(2) Provide work papers showing the calculation of straight-line tax depreciation and accelerated tax depreciation.

(3) Provide a schedule setting forth the basis of allocation of each item of revenue or cost allocated above.

## Kentucky Water Service Company, Inc.

Commonwealth of Kentucky

Case No. 8370

ANAYLSIS OF SALARIES AND WAGES CHARGED TO EXPENSE  
TEST YEAR ENDING JULY 31, 1981

Line No.	Item (a)	12 Months Ended					Test Year (g)
		Calendar Years Prior to Test Year					
		5th (b)	4th (c)	3rd (d)	2nd (e)	1st (f)	
1.	Source of Supply (a) Operation (b) Maintenance	\$	\$	\$	\$	\$	\$
2.	Pumping (a) Operation (b) Maintenance						
3.	Water Treatment (a) Operation (b) Maintenance						
4.	Transmission and Distribution (a) Operation (b) Maintenance						
5.	Customer Accounts						
6.	Sales						
7.	Administrative and General						
8.	Total Salaries and Wages Charged Expense (1 thru 7)						
9.	Construction						
10.	Total Salaries and Wages	\$	\$	\$	\$	\$	\$

## Kentucky Water Service Company, Inc.

Case No. 8370

## Professional Service Expenses

For the Twelve Months Ended July 31, 1981

<u>Line No.</u>	<u>Item</u>	<u>Rate Case</u>	<u>Annual Audit</u>	<u>Other</u>	<u>Total</u>
1.	Legal				
2.	Engineering				
3.	Accounting				
4.	Other				
5.	Total				