

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN ADJUSTMENT OF RATES OF )  
KENTUCKY-AMERICAN WATER COMPANY ) CASE NO. 8836

O R D E R

IT IS ORDERED that Kentucky-American Water Company shall file an original and 12 copies of the following information with the Commission by September 29, 1983. Each copy of the data requested should contain an index of the information provided and 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. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. Provide a schedule showing the dividend per share, for 1977 through 1982, for the 7 water companies referred to on pages 2 through 9, appendix 1, of Mr. Edgemon's prefiled testimony.

2. Provide a similar schedule for the 4 water companies listed on appendix 5 of Mr. Edgemon's prefiled testimony. Also provide the most current price and dividend rate available for each company's common equity and list the name of the market on which each company's equity is traded.

3. Provide the following information regarding the adjustment of \$70,000 to fuel and power costs (item 16 of 1st Commission request):

a. The test period fuel and power costs associated with pumping into the number 4 reservoir and the expected fuel and power costs.

b. The "months per year" for each of the 9 years used to determine the average of 5.6 months referred to in Mr. Edens' letter of May 5, 1983.

c. The "months per year" for the test period.

d. The assumptions regarding plant capacities and system demand which were used to assume a "three months per year pumpage beginning with 1983".

e. If pumpage per month average was 4.9 months and is estimated at 3 months beginning in 1983, shouldn't pumpage costs be reduced rather than increased?

f. Is this adjustment to reflect a "more normal basis" based on Mr. Edens' comments, or are there any other factors entering into this normalization?

g. Why was \$35,000 and not \$31,206 used in this calculation (page following Edens letter dated May 5, 1983).

2. Regarding workpapers to support decreased sales to industrial and commercial users, provide the following:

a. An explanation why usage for Trane Company and FCI was shown as constant for each month of the test period and why revenues varied (although usage was shown as constant). Also, why were the monthly usages changed for both companies (e.g. FCI's February usage of \$18,555 crossed out and replaced by \$8,486)?

b. Regarding the strike experienced by Trane Company from February 28, 1983 to March 30, 1983, have test period sales been normalized to account for this factor? If so, in what amount? If not, why not? Also, what is the current status of efforts to determine reasons why Trane's water usage is decreasing?

3. Regarding tank painting expenditures, has the company revised its estimate of the life of tank painting since the previous rate case? If not, why was a 10 year

weighted average life used to estimate service life in the previous case (Exhibit E of Case No. 8571, filing of January 3, 1983) when the annual amortization indicates a 9 year life in this case?

4. Regarding the schedule of tank paintings supplied (workpapers, response to item 16 of 1st request) reconcile and explain this schedule in comparison to Exhibit E of Case No. 8571, particularly the following:

a. The item "Paint interior of Russell Cave standpipe" in the amount of \$7530.28 was omitted from schedule E. Explain why.

b. The item "Paint interior of #2 hydrotreater-Kentucky River Station" for \$26,625 was listed as \$26,082 in Exhibit E. Reconcile and explain.

c. Why was estimated cost instead of actual cost used to calculate the annual amortization of tank painting expenditures in 1983?

5. Regarding Exhibit 4, Schedule 13, workpapers to state sludge removal costs on an annualized basis:

a. Show computations or documents supporting the estimated cost /cc yard of \$4.90 for the Kentucky River Station and \$9.60 for the Richmond Road Station. Why is the estimated cost almost twice as much for the Richmond Road Station compared to the Kentucky River Station?

b. What was the cost cc/yard for the test period for the Richmond Road Station? What was this cost for the Kentucky River Station?

c. Provide the amounts charged to operating expenses for waste disposal for each of the years 1977-1982.

6. Reconcile the difference between the pro forma pensions expense of \$251,162 allowed in the previous case #8571 to the test period amount charged to operating expenses of \$221,890. What factor(s) is this difference attributed to?

7. What is the criteria used by Kentucky-American to determine the amount of wage increases to be given to its management and other non-union employees? Provide a copy of the guidelines.

8. For the wages and salaries adjustment shown in response #16 to Commission's order of August 4, 1983, provide a breakdown between the amount of this adjustment attributable to annualization of test period increases and the amount attributable to increases effective prior to December 31, 1983, for union and salaried employees separately.

9. Submit any analysis or evidence to support the Russell prefiled testimony, page 9 statement that the Remaining Life method will "reduce revenue requirements in

the long run by providing for 100% capital recovery and reducing the rate base". Of particular interest, has any Net Present Value analysis been performed to support this statement? If so, submit such an analysis and explain any assumptions used in the analysis.

10. Page 1-1 of the Russell "Report on Depreciation Rates" states that the report "contains a description of a depreciation study" of Kentucky-American. Provide a copy of the actual depreciation study.

11. Provide a copy of the study used to allocate depreciation reserve balances to various accounts. Also provide the following information:

a. Was the methodology used to estimate reserve balances in accordance with FCC, NARUC or other agency guidelines, or was some other methodology used? Provide a copy of such guidelines used.


b. Does the method for estimating reserve balances differ in any respect from the guidelines supplied in Response to 11. (a.)? If so, how and why?

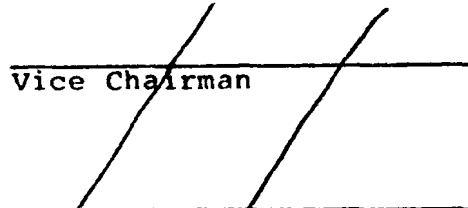
12. Kentucky-American's exhibit 7, Section 3, page 3-1, paragraph 2 states that "depreciation rates used by other water utilities for various properties were considered." Provide a list of the other water utilities

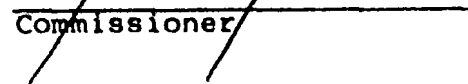
whose rates were considered. Include the name, customer count, annual production, net value of plant, and location of each utility. For each utility listed, provide the type of property or account and the associated depreciation rate considered.

Done at Frankfort, Kentucky, this 16th day of September, 1983.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary