

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

SOUTH HOPKINS WATER DISTRICT'S)
NOTICE OF ADJUSTMENT OF RATES)
AND APPLICATION PURSUANT TO) CASE NO. 9016
807 KAR 5:001, SECTION 9, FOR)
AUTHORITY TO ADJUST RATES)

O R D E R

IT IS ORDERED that South Hopkins Water District ("South Hopkins") shall file an original and 10 copies of the following information with the Commission by July 23, 1984. In the event the requested information is not available, South Hopkins shall state explicitly why the information cannot be furnished. If neither the response nor a motion for extension of time is filed by the stated date, the case may be dismissed.

1. With reference to the response to Item No. 4a of the Commission's Order dated April 17, 1984, provide the invoice associated with the following check numbers: 9174, 9218, 9297, 9334, 9377, 9409, 9495, 9571, 9606, 9697, 9774, 9815, 9903.

2. With reference to the response to Item No. 5a of the Commission's Order dated April 17, 1984, it is the Commission's policy to allow adjustments to actual test year expenses that are known and measurable. So that the Commission may evaluate South Hopkins' application using this criteria, please provide the basis

for each pro forma adjustment to test-year operating expenses and include supporting evidence that the adjustment is known and measurable.

3. It is the Commission's policy to calculate allowable depreciation for rate-making purposes as Gross Utility Plant less Accumulated Depreciation and Contributions in Aid of Construction. With reference to the revised Comparative Income Statement, line 18, provide an explanation of why the Commission should deviate from past policy and allow full depreciation for rate-making purposes in this case.

4. In determining the revenue requirements of utilities within its jurisdiction, the Commission has primarily utilized four methods to derive a utility's allowed earnings. These methods are: rate of return on net investment or capital, debt-service coverage, times interest earned ratio, and operating ratio. The method most frequently used in determining the revenue requirements of water utilities has been the debt-service coverage method calculated as total revenues minus all other expenses, including depreciation, divided by long-term debt service requirements. The Commission's current policy is to allow water districts a debt-service coverage ratio of 1.2. With reference to the "Pro Forma Income Statement - Revised" exhibit, provide complete details regarding the method(s) by which South Hopkins calculated its test-period revenue requirements in determining the proposed rates. In addition, provide any comments that South

Hopkins may wish to extend with regard to the Commission's use of debt-service coverage in the determination of revenue requirements.

5. With reference to the response to Item No. 13 of the Commission's Order dated April 17, 1984, provide an analysis of the cost savings resulting from the changeover from the billing service account with CSI to the use of South Hopkins' own computer to prepare bills.

Done at Frankfort, Kentucky, this 9th day of July, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Howard

For the Commission

ATTEST:

Acting Secretary _____