

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN ADJUSTMENT OF RATES OF THE)
SPEARS WATER COMPANY, INC.) CASE NO. 9067

O R D E R

IT IS ORDERED that the Spears Water Company, Inc., ("Spears") shall file an original and six copies of the following information with the Commission, with a copy to all parties of record, by September 26, 1984. If the information requested or a motion for an extension of time is not filed by the stated date, the Commission may dismiss the case without prejudice. Spears shall furnish with each response the name of the witness who will be available at the public hearing for responding to questions concerning each item of information requested.

1. Does Spears have any investments other than utility plant? If so, identify.
2. Does Spears have any cash reserves or other deposits (i.e., certificates of deposits)? If so, identify.
3. Provide a list of all accounts held with financial institutions or privately with a description by type (i.e., checking, payroll, loan, etc.) and the balance of each at March 31, 1984, and August 31, 1984.
4. With regard to Exhibit G-1:

a. Provide an explanation and calculation of the increase in service charge revenues of \$5,224.04.

b. Provide a calculation of the increase in taxes by \$1,335.63.

c. Provide an explanation of how the increase in office supplies and expenses of \$1,200 was determined.

d. Provide a full explanation and calculation of the \$2,000 reduction to legal and professional services.

e. Provide an explanation and calculation of the \$1,000 increase to transportation expenses.

f. Provide a calculation of the \$1,600 increase to depreciation expenses.

g. Provide a detailed calculation of the adjusted level of long-term debt interest expense with each note or other means of financing shown separately.

h. Provide a detailed calculation of the adjusted level of other interest expense with each note or other means of financing shown separately.

5. With reference to Exhibit D, please provide the following information:

a. A breakdown of director's fees and insurance of \$14,959.92 into directors fees for each officer, director's insurance by insurer, and any other costs.

b. The monthly fee paid to each of the three directors, the monthly fee paid to your consulting engineer and the monthly fee paid to each insurance company. Describe each of these insurance policies and its beneficiaries.

- c. To whom is the monthly fee for office rent paid?
- d. A breakdown of group insurance of \$7,336.31 by insurer with each policy shown separately. Describe the type of coverage (i.e., health, etc.) and persons insured by each policy. What was the monthly, quarterly or annual fee of each policy at March 31, 1984? What are the current fees? Is any of the monthly fees paid to insurance companies withheld from employees wages?
- e. Are any of the employees insured above insured by other group policies?
- f. A breakdown of property insurance of \$1,810.54 by insurer with each policy shown separately. Describe the type of coverage and property insured by each policy. What was the monthly, quarterly or annual fee of each policy at March 31, 1984? What are the current fees?
- g. A list showing a breakdown of the \$8,624.05 for miscellaneous and legal and professional expenses. At a minimum, this should include the date of payment, the payee, the amount and a description of the services.
- h. A list showing a breakdown of the \$207 for outside services. At a minimum, this should include the date of payment, the payee, the amount and a description of the services.
- i. A list of all expenditures incurred due to the frozen water tank last winter with each expense reflecting the date paid, the payee, the amount paid, description of the service and account charged.
- j. Identify any cost in the 933 account - Gas and Transportation, which is not directly related to the day to day

gas purchases and maintenance such as an overhaul, replacement of tires, etc.

k. With regard to office supplies and expenses, a breakdown of the \$11,870.90 into functional categories by vendor, i.e., electricity, gas, telephone, postage, printing, advertising, billing cards, computer software, programing, computers, etc. This list should include the date paid, vendor, amount and description for all items. Recurring common items may be grouped annually.

6. What rates are presently paid for purchased water? List each supplier.

7. a. A list of employees showing weekly or monthly gross salary as of March 31, 1984.

b. How are these salaries distributed to the various accounts?

c. What is the state unemployment tax base and tax rate? Which employees are qualified for state unemployment?

d. What is the federal unemployment tax base and tax rate. Which employees are qualified for federal unemployment?

e. Upon which salaries and wages does Spears pay FICA taxes? Are fees paid the directors taxed by FICA?

8. a. What procedure does Spears use to determine if an item is to be capitalized?

b. Is any of the work performed by your full-time employees connected with the installation of new plant in service? If so, please identify the amount of time spent for plant additions.

c. Are any of the wages of your full-time employees capitalized? If so, specify.

9. Provide a list of your employees with a full description of the duties for each.

10. Provide an exhibit showing by month the total number of customers billed, the quantity of water billed and total amount billed for each rate schedule.

11. Provide an exhibit showing by month the quantity of water purchased, the amount billed to Spears, the period covered by the bill and the date and amount actually paid. Each supplier should be reported separately.

12. In the past there has been much controversy with regard to the actual quantity of water sold due to the adjustment of customers' bills for leaks, etc. Provide an exhibit by month listing customer bills adjusted showing individually the actual amount and quantity originally billed and the adjusted amount and quantity. Which of those quantities was included in the billing analysis supplied with the application?

13. Provide an exhibit listing by month all quantities of water indentified or used but not shown on customers' bills during the test period with a full explanation of each occurrence. If the quantity was estimated, explain in detail how this estimate was derived.

14. Provide an exhibit showing a calculation of water loss as a percentage of test period water purchases. Full detail should be provided with the source of all numbers used in the calculation referenced or explained.

15. Provide the methodology of allocating all common costs, i.e., utilities, between the water systems and personal living quarters.

16. Provide a list of all payments to the defeasement escrow account to date showing date of payment, amount and purpose.

17. a. Provide an amortization schedule of the district's long-term debt prior to defeasement.

b. What was the interest rate of the district's bonds.

c. Give an explanation as to why the period of amortization should change due to defeasement.

18. a. Explain why it was prudent to defease the bonds when such defeasement resulted in a substantial increase in the cost of service, i.e., interest expense.

b. Explain why it was prudent to combine the companies when the revenues of the district will now be taxable.

19. Identify income tax of \$693 on Exhibit D.

20. a. Provide a depreciation and amortization schedule on a straight line basis for the district's assets at the time of merger.

b. Provide a depreciation and amortization schedule on a straight line basis for the company assets at the time of merger.

c. Provide a depreciation and amortization schedule on a straight line basis for all plant investment added subsequent to merger but prior to March 31, 1984.

21. It is the Commission's policy to disallow for rate-making purposes any depreciation expense determined from contributed property. Provide an exhibit stating the Company's concurrence or objection to said policy.

22. Explain the difference between total revenues from present rates of some \$345,000 as shown in Exhibit E and actual revenue of some \$308,000 as shown on Exhibit B for water sales. Documentation and calculations should be provided to support all differences identified.

23. Explain the method used to redistribute usage in the billing analysis from the present rate design to the proposed rate design.

24. Provide a list of all monthly debt service payments presently required by each loan.

25. Provide a schedule similar to Exhibit B-4 for outstanding debt at March 31, 1984.

26. Identify any outstanding loans against insurance policies and how such loans are recorded on the books.

Done at Frankfort, Kentucky, this 11th day of September, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Hamer
For the Commission

ATTEST:

Secretary