

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF MARION COUNTY WATER)
DISTRICT FOR: (1) A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY TO)
CONSTRUCT EXTENSIONS AS DESCRIBED;)
(2) AUTHORITY TO BORROW APPROXIMATELY) CASE NO. 9384
\$431,000 FROM FARMERS HOME ADMINISTRA-)
TION; (3) A RATE INCREASE EFFECTIVE)
AUGUST 1, 1985.)

O R D E R

IT IS ORDERED that Marion County Water District ("Marion County") shall file an original and ten copies of the following information with the Commission, with a copy to all parties of record, within 3 weeks of this Order. If neither the requested information nor a motion for extension is filed by the stated date, the Commission may dismiss the case without prejudice.

1. An amortization schedule of the 1983 bond issue (page 3 of 6, exhibit no. 3) lists the principle as \$123,000, while the statement of long-term indebtedness (page 2 of 3, exhibit no. 4) states that the amount due from the same issue is \$440,000. Explain the reason for the difference between these 2 amounts.

2. The agreement with the Farmers Home Administration ("FmHA") states that the FmHA loan will not exceed \$267,000 and the total cost of construction would be \$500,700, while the statement of long-term indebtedness (page 3 of 3, exhibit no. 2) states that Marion County will borrow an additional \$164,000 from the FmHA if the construction bids exceed the previously approved

funding. The bond authorizing resolution filed July 17, 1985, states that planned construction will now cost \$850,000 and that Marion County now intends to borrow \$540,000 from the FmHA. Which is the correct amount that Marion County will actually borrow from the FmHA? If the amount to be borrowed is different than the originally planned amount provide a new amortization schedule and a new FmHA agreement if one is needed.

3. The following are in reference to the purchased water expense in the amount of \$140,528. (If available please supply by month and in total for the test period):

- a. Water purchased in gallons and cost.
- b. Water sold in gallons and amount.
- c. Water used by the company in gallons.
- d. Water used by fire protection.
- e. Unaccounted for water in gallons.
- f. The rates Lebanon Water Company charged prior to July 1984 and after July 1984.

4. It has been the practice of the Commission to accept only known and measurable adjustments to test period expenses. Exhibit no. 10 of the application is a comparative income statement with pro forma adjustments. Please provide back-up (work papers, documented estimates, assumptions, etc.) which supports the proposed increases to test period expenses.

5. Provide a breakdown of Insurance Expense in the test period amount of \$8,924 and the proposed pro forma amount of \$9,953 in the following manner:

- a. Policy and type of coverage.
- b. The period that the policy covers.
- c. Payments made during the test period and expected annual cost of the policy.

6. Provide a breakdown of non-operating income (page 1 of 3, exhibit no. 10) in the amount of \$29,135.

7. What criteria does Marion County use in capitalizing expenditures?

8. Provide the name(s) of all employee(s), a full description of the duties performed, estimated time per week or test period performing those duties, and the hourly wage and/or base salary paid for their duties. (List the employees by account in which his (their) salary is included and provide a total of that account. Any allocation of salaries between accounts should also be provided.)

9. Provide a breakdown (Reserve Fund, Depreciation Reserve, etc.) of the following test period balance sheet accounts (exhibit no. 1):

Certificates of Deposit	\$139,969
Cash	\$231,927

10. Provide a detailed breakdown with a full description of major expenses in the following test period operating expenses (exhibit no. 6): (Items less than \$50 may be grouped and repetitive items may be consolidated and shown as a single or combined amount.)

Operation Supplies and Expenses	\$9,353
Supplies and Expenses	\$3,362
Office Supplies	\$4,941

11. Are you aware of the Commission's practice of disallowing depreciation on contributed property for rate-making purposes? If so then explain why an adjustment to remove this from test period expenses was not proposed by Marion County?

12. Provide a breakdown of the proposed rate case expense which is approximately \$11,001 (page 3 of 3, exhibit no. 3):

- a. A description of the duties performed.
- b. The approximate hours spent performing each task, then the total hours worked.
- c. The hourly or base rate charged.
- d. Any other justification of the expense.

13. An initial review of the bond resolution for the proposed bonds to be sold to the FmHA has been completed. If any of the bond resolutions of the existing bonds are different in any way than the bond resolution provided, then provide copies of those bond resolutions.

Done at Frankfort, Kentucky, this 4th day of September, 1985.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary