

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MUHLENBERG COUNTY)
WATER DISTRICT (A) FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY)
(1) APPROVING THE CONSTRUCTION OF NEW)
PLANT FACILITIES; (2) APPROVING THE)
ISSUANCE OF CERTAIN SECURITIES; AND)
(3) AUTHORIZING ADJUSTMENT OF WATER)
SERVICE RATES AND CHARGES; AND (B) FOR) CASE NO. 9539
AN ORDER APPROVING THE MERGER OF)
MUHLENBERG COUNTY WATER DISTRICT AND)
MUHLENBERG COUNTY WATER DISTRICT -)
GRAHAM UNDER THE TERMS OF KRS 74.363 AND)
THE APPLICATION OF ESTABLISHED RATES OF)
MUHLENBERG COUNTY WATER DISTRICT TO THE)
CUSTOMERS OF MUHLENBERG COUNTY WATER)
DISTRICT - GRAHAM)

O R D E R

IT IS ORDERED that Muhlenberg County Water District ("Muhlenberg") shall file an original and eight copies of the following information with the Commission, with a copy to all parties of record, by August 27, 1986, or within 2 weeks of the date of this Order, whichever is later. 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. Careful attention should be given to copied material to insure that it is legible. Muhlenberg 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. Prepare a schedule of all amounts owed to Muhlenberg by Muhlenberg County Water District No. 1 ("Graham") as of December 31, 1985, and as of the date of this Order. Provide a breakdown of the amounts by purchased water, wages, and other categories.

2. Provide a schedule of all service charges and tap-on fees used by Muhlenberg and Graham during the test year.

3. Provide an explanation as to what exactly is included in Muhlenberg's account called "Penalties." Also explain why these penalties totaled \$11,178 in the test year, while in previous years these collections were not that high.

4. a. Provide an explanation as to the purpose and plans for the use of CDBG funds in the Graham district. Include the total CDBG funds to be used, the amount and source of any matching funds, what work is to be performed, and when work is scheduled to begin.

b. Also, explain when a certificate of public convenience and necessity will be sought by the district for this work.

5. a. Does Muhlenberg plan to charge the Graham customers the 60¢ surcharge for the water loss demonstration project? If so, why hasn't Muhlenberg applied to amend their demonstration project to include Graham?

b. What steps does Muhlenberg plan to take to eliminate the excessive water loss experienced by Graham? Provide any supporting documentation.

6. The March 1985 Engineering Report, pages 24-33, presents a narrative description of the construction to be performed in each service area of Muhlenberg.

a. What impact will this construction have on the water loss demonstration project? In other words, how much of a reduction in unaccounted-for water loss is expected from the new construction?

b. Using the Construction Items' list on page 33, identify the items which could reduce the unaccounted-for water loss.

7. How much of the 368,906 feet of cement asbestos pipe will be replaced by the expansion project?

8. On page 16 of the March Engineering Project, it is stated that Muhlenberg desires to serve 150 to 200 customers in the Lone Star area of the county. On page 32 of that report, it is stated that the cost of facilities for the Lone Star area is not included in the study because Muhlenberg proposes to build these lines with existing funds on hand.

a. Are these two statements still valid? Is Muhlenberg going to add the Lone Star customers?

b. Were these customers included in the billing analysis and projected expenses?

c. If the Lone Star addition is to be made, and was not included in the billing analysis and projected expenses, provide a revised billing analysis and projected expenses, as well as the cost of the facilities.

9. In Exhibit 6 of the March 1986 Rate Analysis, the engineer for Muhlenberg and Graham has proposed adjustments to expenses based on the number of customers at test year-end. The increases in the number of customers reflects the differences between average and test year-end figures.

a. Provide an explanation as to why test year-end figures should be used rather than test year average.

b. Was the engineer aware of the fact that 199 "new" customers during the test year resulted from Muhlenberg requiring illegal hook-ups to be properly connected to their water lines and meters?

10. Provide an explanation as to how the proposed adjustments to expenses meet the Commission's criteria of known and measurable changes.

11. Provide a reconciliation and explanation of these discrepancies between the 1985 Annual Report, the original Depreciation Calculation - Exhibit 7, and the revised Exhibit 7:

a. The depreciation expense reported in the 1985 Annual Report for Graham totaled \$2,689; the amount shown in the revised Exhibit 7 is \$4,151.

b. The original Exhibit 7 for Graham indicates that \$55,280 of the plant is fully depreciated or was not added into the calculation; no such adjustment was made on the revised Exhibit 7.

c. On the revised Exhibit 7, the contributions in aid of construction were not included in the Graham calculations, but were included in Muhlenberg's.

d. The utility plant values shown in the revised Exhibit 7 for Muhlenberg do not agree with those shown in the 1985 Annual Report.

e. The depreciation expense for Muhlenberg reported in the 1985 Annual Report was \$111,984 while the revised Exhibit 7 shows \$110,790. It is recognized that the 1985 Annual Report figure did not have contributions in aid of construction adjusted out, but \$1,593,768 in contributions in aid of construction would not cause an expense difference of \$1,194.

f. On the revised Exhibit 7, the depreciation for the new project for transmission and distribution mains was computed on a service life of 35 years. Why wasn't a service life of 62 years used, the midpoint period as outlined by NARUC?

g. Identify any of Muhlenberg's plant which is fully depreciated, both the item and amount.

h. The depreciation expense shown in Muhlenberg's 1985 Annual Report does not appear to have been calculated in accordance with the guidelines established in the Final Order in Case No. 9262, Appendix B.

12. Provide a computation of the actual rate case expenses for the Case No. 9539, as of the date of this Order. Also, provide an estimate of the total expenses for this case.

13. Exhibit 1F contained in the rate analysis shows the correct increments in the usage table. Please explain why different increments are shown in the revenue table. Will this have any effect on the revenue produced by the billing analysis?

If so, please provide any adjustments.

14. Exhibit 10B shown in the rate analysis lists the minimum bill as \$11.60 for the first 5,000 gallons. Should this rate be \$26.30 as shown on Exhibit 9?

15. Exhibit 10C shows the minimum bill for 11,000 gallons as \$38.19. Are you not proposing to bill this usage at \$55.05 as shown on Exhibit 9?

16. Exhibit 9 shows the minimum usage for a 2-inch connection as 16,000 gallons and a proposed minimum bill of \$76.30 Exhibit 10D shows a usage allowance of 16,000 gallons in the usage table and 11,000 gallons in the revenue table. Additionally, the proposed rate is shown as \$52.99. Please reconcile these differences.

17. Has Ensign Bickford been notified that the District is proposing to change their rate design and that the proposed change results in an increase of approximately 56 percent to Ensign Bickford?

18. Please provide further explanation of footnote (2) contained in Exhibit 10. Wouldn't the inheritance of 11 to 12 MG of water losses in the Graham System be shown as water loss and not effect the proposed sales?

Done at Frankfort, Kentucky, this 11th day of August, 1986.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director