

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTH HOPKINS WATER)
DISTRICT FOR A RATE ADJUSTMENT UNDER THE) CASE NO. 10098
PURCHASED WATER ADJUSTMENT CLAUSE)

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 this Commission. Careful attention should be given to copied material to insure its legibility. The information requested is due within 2 weeks of the date of this order. If the information cannot be provided by that date, a motion for extension of the filing deadline should be made.

1. Describe the circumstances surrounding the making of the 1978 water purchase contract between South Hopkins and the City of Dawson Springs ("Dawson Springs").
2. Why did South Hopkins enter this contract?
3. In your opinion, why did Dawson Springs enter this contract?
4. What advantages did each party gain from the contract? What obligations and duties did it impose on each party?
5. Prior to this case, was the purchase water agreement between South Hopkins and Dawson Springs submitted to this Commission? If yes, when was it submitted? If no, why not?

6. Has this contract been submitted to any state or federal agency other than this Commission? If yes, what agencies?

7. When was the water treatment facility mentioned in the water purchase agreement built and placed into operation?

8. The water purchase agreement required South Hopkins to construct a 16-inch water line from the water treatment plant to U.S. Highway 62. Was this water line constructed? When?

9. What percentage of South Hopkins' water is supplied by Dawson Springs? What percentage of the water supplied is treated by the water treatment plant mentioned in the water purchase agreement?

10. How much, if any, control does South Hopkins exercise over the daily operations of the water treatment plant? Over the overall operations of the water treatment plant?

11. Upon payment of all outstanding loans to the Farmers Home Mortgage Administration incurred for the construction of the water treatment plant, who will own the plant? If South Hopkins will own an interest in the plant, how large is this interest?

12. Under the terms of the water purchase agreement, an annual audit of the water treatment facility must be made. South Hopkins has the "right to question specific items in the audit." If South Hopkins disagrees with an item and Dawson Springs refuses to make any correction, what procedures are to be followed to resolve the dispute? Has South Hopkins ever questioned an item in an annual audit? If yes, how were its questions resolved?

13. Explain how the cost of water from the water treatment facility is determined. How does South Hopkins' cost per gallon of water compare to Dawson Springs' cost per gallon of water?

14. Does South Hopkins or Dawson Springs have any jointly used facilities? List these facilities. Are there any special arrangements surrounding the use of these facilities (e.g., the depreciation expense for jointly used facilities is included in the cost of water produced by the water treatment facility)? If yes, what are these special arrangements?

15. Provide a copy of the May 18, 1965, water purchase contract between South Hopkins and Dawson Springs.

Done at Frankfort, Kentucky this 21st day of March, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Homan
For The Commission

ATTEST:

Executive Director