

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

SALT RIVER WATER DISTRICT AND KENTUCKY)
TURNPIKE WATER DISTRICT JOINT PETITION) CASE NO. 92-169
FOR APPROVAL OF MERGER AGREEMENT AND)
RETAIL RATE ADJUSTMENT)

O R D E R

IT IS ORDERED that Kentucky Turnpike Water District ("Kentucky Turnpike") shall file the original and 12 copies of the following information with the Commission with a copy to all parties of record no later than July 31, 1992. Kentucky Turnpike shall furnish with each response the name of the witness who will be available to respond to questions concerning each item of information requested should a public hearing be scheduled.

1. Explain why the proposed merged utility should consist of two divisions rather than one.

2. Explain why the proposed merger should not include a unified rate for all Kentucky Turnpike users.

3. Describe the method by which shared revenues and expenses will be allocated between the two divisions.

4. Describe the economies of scale that will be achieved as a result of the merger. State whether such savings are minimized as a result of operating as separate divisions.

5. State whether the \$846 monthly surcharge currently paid to Kentucky Turnpike by the Salt River Water District ("Salt River") will be eliminated as a result of the merger.

6. Refer to Exhibit 1 of the merger petitions.

a. Refer to page 4, Item 6(c). Provide the basis for the 75:25 allocation of Salt River's wages and expenses.

b. Refer to pages 8-9, Item 13. Explain how, when and under what circumstances the two divisions will be consolidated for rates and regulations. Explain why that is not a possibility at this time.

7. Explain why Kentucky Turnpike is not required to pay off all current debt and outstanding accounts payable prior to merger.

8. Provide a proposed statement of revenues and expenses for the merged utility. Include adjustments and supporting documentation for items that will be eliminated or added as a result of the merger.

9. Describe the impact, if any, that the merger would have on Kentucky Turnpike's current lease with the Louisville Water Company ("LWC").

10. State whether Kentucky Turnpike intends to renew the lease agreement with LWC when the current lease expires in October 2010.

11. State whether LWC is aware of the proposed merger, and provide copies of any correspondence between LWC and Kentucky Turnpike regarding the proposed merger.

12. Explain why it is necessary to contract with LWC if the expertise of Salt River's employees will be sufficient to operate the merged utility.

13. State whether or not Kentucky Turnpike has the option of breaking its lease agreement with LWC.

14. Refer to the testimony of James Rice, page 6.

a. Explain the joint program to expand water service along Kentucky Highway 61.

b. State whether or not the customers have been advised of the water main extension rules and regulations of the Public Service Commission.

15. Explain why Kentucky Turnpike has not sought approval of its rates from the PSC since 1970. Describe whether or not management acted prudently in its failure to apply for the appropriate rate approvals.

16. Refer to the "Notes to Financial Statements" section of the 1991 audit report, specifically Note 10 which discusses related party transactions.

a. Name the company from which office space is leased and the commissioner who owns that company.

b. Describe the services performed and/or the necessity for the office space.

c. Explain whether this expense will be eliminated as a result of the merged utilities.

17. Provide a list of all outstanding long-term and short-term debt. Include amortization schedules and the purpose of the debt.

18. Provide a statement to reflect annualized revenues and expenses for 1991. Include workpapers or other documents that are sufficient to reconcile annualized operations to those reported in the 1991 audit.

19. Provide a trial balance as of December 31, 1991.

20. Provide a copy of the auditor's adjustments and workpapers to support the 1991 audited financial statements.

21. Provide a schedule of employees including job title, summary of job duties, current salary, and date of employment.

22. Provide a schedule of adjustments to reflect any known and measurable changes in operating revenues and expenses from December 31, 1991 to the present. Include workpapers to support the adjustments.

23. Provide copies of the minutes of board of commissioners meetings for January 1991 to present.

24. Provide a schedule of all rates and fees currently charged including non-recurring charges. State whether the rate for a 6-inch connection is \$235.90 as shown in the application or \$262.86.

25. Provide a billing analysis for January through December 1991.

26. Provide a copy of the operation and procedure manual for Kentucky Turnpike.

27. Provide a copy of the operation and procedure manual for the merged entity.

28. State whether any additional construction will be required of either district or, to their knowledge, LWC if the proposed merger is approved.

29. State whether the hydraulic characteristics of Kentucky Turnpike's distribution system will change in the event merger is approved.

30. Refer to the prefiled testimony of Gerald Burke, Faye Crumbacker and Karen Smith, page 5.

a. State whether the services of LWC will be offered to the customers of the new Division 2 in the event merger is approved.

b. Clarify what engineering expertise and planning capabilities Division 2 will receive from LWC.

Done at Frankfort, Kentucky, this 22nd day of July, 1992.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:



Executive Director, Acting