

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 Salt River Water District ("Salt River") 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. Salt River 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 Water District ("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 Salt River will be eliminated as a result of the merger.

6. Refer to Exhibit 1 of the merger petitions.

a. Refer to page 3, Item 5(b). State the payoff amount of the outstanding bonded indebtedness and describe the source of Salt River's funds that will be used to pay this.

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

c. Refer to page 5, Item 8. Provide calculations to support the 17 percent reduction in Salt River's revenue requirement.

d. 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. Provide amortization schedules for Salt River's outstanding KIA debt under both the merged and the unmerged scenarios.

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

9. 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.

10. Explain why it is necessary to contract with Louisville Water Company ("LWC") if the expertise of Salt River's employees will be sufficient to operate the merged utility.

11. 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.

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

13. 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.

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

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

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

17. 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.

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

19. Explain why Salt River is proposing to change the rate design approved in Case No. 90-143.¹

20. Provide a schedule of any rates and charges including non-recurring charges which are not contained in the currently effective tariff.

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

22. Explain the status of water service to the Rest Area on I-65 and Bernheim Forest.

23. Provide a copy of the operation and procedure manual for Salt River.

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

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

26. State whether the hydraulic characteristics of Salt River's distribution system will change in the event merger is approved.

¹ Case No. 90-143, The Application of Salt River Water District to Increase Its Rates.

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

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director, Acting