

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

EAST DAVIESS COUNTY WATER ASSOCIATION,)
INCORPORATED)
)
)
_____) CASE NO. 94-245
)
AN INVESTIGATION INTO THE)
REASONABLENESS OF PRESENT RATES FOR)
WATER SERVICE)

O R D E R

On October 19, 1990, the Commission approved new rates for water service which East Daviess County Water Association, Inc. ("East Daviess") provided to persons previously served by the Hancock County Public Improvement Corporation.¹ Although approving a rate structure for those customers which differed significantly from the rate structure for East Daviess' other customers, the Commission expressed its concern about such disparities and ordered East Daviess to present a new rate structure for all customers within 16 months. This new rate structure was to reflect a new accounting system which would more accurately allocate revenues and expenses and eliminate any cross subsidization between various customers.

As of this date, East Daviess has yet to implement or apply for Commission approval to implement a new rate structure which applies to all customers. Moreover, it has failed to advise the Commission of the reasons for its failure.

¹ Case No. 89-377, The Application of East Daviess County Water Association, Inc. to Reduce Water Rates to Residential Customers in South Hancock County, Kentucky (Oct. 19, 1990).

Having considered East Daviess' failure to comply with the Commission's Order and being otherwise sufficiently advised, the Commission finds that an investigation into the reasonableness of East Daviess' existing rates should be conducted.

IT IS THEREFORE ORDERED that:

1. Pursuant to KRS 278.260, an investigation into the reasonableness of East Daviess' present rates is hereby commenced.

2. Within 20 days of the date of this Order, East Daviess shall advise the Commission in writing why it has failed to comply with the Commission's Order of October 19, 1990 in Case No. 89-377.

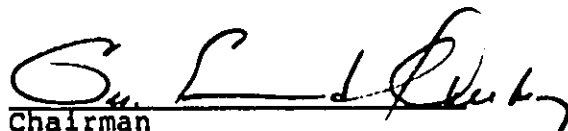
3. The record of Case No. 89-377 is incorporated by reference into the record of this proceeding.

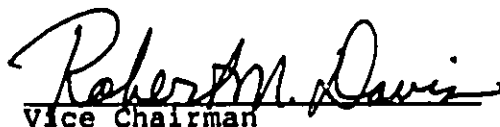
4. Within 20 days of the date of this Order, East Daviess shall provide the information requested in the Appendix to this Order.

5. During the course of this investigation, East Daviess shall make available to the Commission and its staff for inspection and examination all books, accounts, papers and records of the utility.

Done at Frankfort, Kentucky, this 24th day of June, 1994.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 94-245, DATED JUNE 24, 1994.

East Daviess shall file the original and 10 copies of the following information with the Commission. The information requested shall be placed in a bound volume with each item tabbed. The information requested herein is due no later than 20 days from the date of this Order. East Daviess shall furnish with each response the name of the witness who will be available at the public hearing to respond to questions concerning each item of information requested.

1. Provide all financial statements for East Daviess' operations for the calendar years 1991, 1992 and 1993.
2. Provide detailed monthly income statements for East Daviess' operations for the calendar years of 1991, 1992, and 1993.
3. Provide East Daviess' year-end adjusting journal entries for the calendar year 1993.
4. Identify and describe all major system extensions and water plant improvements which East Daviess currently plans to make between 1994 and 1999.
5. Identify and describe in detail any known contingent liabilities which may be assessed against East Daviess.
6. Provide the minutes and all official notes of all meetings of East Daviess' Board of Directors held since January 1, 1991.
7. a. List all known and measurable events (e.g., an increase in insurance premiums, increase in the frequency of water

testing, etc.) which are expected to occur in 1994 and which would significantly affect East Daviess' revenues and expenses.

b. Provide documentary evidence (e.g., invoices, contracts, or bids) which supports each event identified above.

8. For all taxes assessed against East Daviess in the calendar years 1991, 1992, 1993 and 1994, state the amount of the tax and identify the taxing authority.

9. Provide a schedule of East Daviess' employees for each calendar year from 1991 through 1994. This schedule should state: each employee's name and job title, a brief description of the employee's duties, the length of employment, starting wages for each year, the date and amount of all pay raises for that year, and ending salary.

10. Provide a schedule of East Daviess' insurance policies for each calendar year from 1991 through 1994. This schedule should list: the type of coverage, the annual premium, and each policy's effective date.

11. a. Provide a schedule of East Daviess' short- and long-term debt instruments.

b. For each debt instrument, provide an amortization schedule, and the debt instrument or loan agreement.

12. Provide a schedule of East Daviess' investments and current interest rates.

13. Provide all significant contracts and agreements (e.g., purchased water contracts, leases, rental agreements, etc.).

14. a. State whether East Daviess has developed an accounting system which will directly allocate revenues and expenses to each operating division.

b. If yes,

(a) state the date when this system was developed.

(b) state the date when East Daviess first used this system.