

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF REIDLAND WATER AND)
SEWER DISTRICT OF MCCRACKEN COUNTY,)
KENTUCKY FOR A CERTIFICATE OF PUBLIC) CASE NO. 95-532
CONVENIENCE AND NECESSITY TO CONSTRUCT,)
FINANCE, AND INCREASE RATES)

O R D E R

On November 29, 1995, Reidland Water and Sewer District filed an application pursuant to KRS 278.023 for a Certificate of Public Convenience and Necessity to construct a wastewater treatment plant, approval of proposed financing, and approval of increased rates. While the application has been docketed as Case No. 95-532, it cannot be accepted for filing as it was improperly submitted. KRS 278.023 only applies in cases involving construction projects financed by the U.S. Department of Agriculture or the U.S. Department of Housing and Urban Development. There is no such financing involved in Reidland's proposed construction, which is to be financed through a loan from the Kentucky Infrastructure Authority.

As KRS 278.023 is irrelevant to Reidland's proposal, it should be given thirty days to amend its application and to submit the additional documentation required pursuant to the proper statutes and regulations. If the application has not been so amended after 30 days, this case should be removed from the docket without further Order of the Commission.

IT IS THEREFORE ORDERED that:

1. Reidland is granted 30 days from the date of this Order to amend its application and to submit the additional documentation required pursuant to the proper statutes and regulations. See Attachments. Any information previously submitted under this case number need not be resubmitted, but may be referenced in the amended application. When reference is made to information previously submitted, such reference shall be specific as to exhibit and page number.

2. If Reidland has not so amended its application within 30 days of the date of this Order, this case shall be removed from the docket without further Order of the Commission.

Done at Frankfort, Kentucky, this 27th day of December, 1995.

PUBLIC SERVICE COMMISSION

Linda K. Breaketh
Chairman

Vice Chairman

Robert M. Davis
Commissioner

ATTEST:

Don Mills
Executive Director

**CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY - CONSTRUCTION
SEWERS ONLY**

Filing Requirements Checklist

(Applicable Authority: KRS 278.020(1), 807 KAR 5:001,
Sections 8 and 9(2))

Law/Regulation

Filing Requirement

807 KAR 5:001:

Section 8(1)

Full name and post office address of applicant and a reference to the particular provision of law requiring Commission approval.

Section 8(2)

The original and 10 copies of the application with an additional copy for any party named therein as an interested party.

Section 8(3)

If applicant is a corporation, a certified copy of the Articles of Incorporation and all amendments thereto or if the articles were filed with the PSC in a prior proceeding, a reference to the style and case number of the prior proceeding.

Section 9(2)

(a) The facts relied upon to show that the proposed new construction is or will be required by public convenience or necessity.

(b) Copies of franchises or permits, if any, from the proper public authority for the proposed new construction or extension, if not previously filed with the commission.

Law/Regulation

Filing Requirement

(c) A full description of the proposed location, route, or routes of the new construction or extension, including a description of the manner in which same will be constructed, and also the names of all public utilities, corporations, or persons with whom the proposed new construction or extension is likely to compete.

807 KAR 5:001, Section 9(2)

(d) Three (3) maps to suitable scale (preferably not more than two (2) miles per inch) showing the location or route of the proposed new construction or extension, as well as the location to scale of any like facilities owned by others located anywhere within the map area with adequate identification as to the ownership of such other facilities.

(e) The manner, in detail, in which it is proposed to finance the new construction or extension.

(f) An estimated cost of operation after the proposed facilities are completed.

(g) Other information necessary to afford the commission a complete understanding of the situation.

Law/Regulation

807 KAR 5:071

Section (3) (1)

Filing Requirement

(a) A copy of a valid third-party beneficiary agreement guaranteeing the continued operation of the sewage treatment facilities or other evidence of financial integrity such as will insure the continuity of sewage service.

(b) A copy of a preliminary approval issued by the Division of Water Quality of the Kentucky Department for Natural Resources and Environmental Protection approving the plans and specifications of the proposed construction.

(c) A detailed map of the sewage treatment facilities showing location of plant, effluent discharge, collection mains, manholes, and utility service area.

(d) A detailed estimated cost of construction which should include all capitalized costs (construction, engineering, legal, administrative, etc.).

(e) A financial exhibit as described in Section 6 of 807 KAR 5:001.

Law/Regulation

stating amount to be
sales, or contributions

Filing Requirement

(f) The manner, in detail, in which it is proposed to finance the new construction, specifically

invested, recouped through lot

(to be) received, etc.

(g) An estimated cost of operation after the proposed facilities are completed.

(h) An estimate of the total number of customers to be served by the proposed sewage treatment facilities, initially and ultimately the class of customers served (i.e., residential, commercial, apartments, recreational, institutional, etc.) and the average monthly water consumption for each class of customer.

(i) A copy of the latest tax returns (federal and state if applicable) filed by the applicant.

(j) A detailed depreciation schedule of all treatment plant, property and facilities, both existing and proposed, listing all major components of "package" treatment plants separately.

Law/Regulation

Filing Requirement

(k) The proposed rates to be charged for each class of customers and an estimate of the annual revenues derived from the customers using the proposed rate schedules.

(l) A full and complete explanation of corporate or business relationships between the applicant and a parent or brother-sister corporation, subsidiary(ies), a development corporation(s), or any other party or business to afford the commission a full and complete understanding of the situation.

(m) If the establishment of rates is not sought by the applicant, omit paragraphs (i), (j), and (k) above.

AUTHORITY TO ADJUST RATES - SEWAGE UTILITY

(Historical Test Period)

Filing Requirements Checklist

(Applicable Regulation: 807 KAR 5:071, Section 3 and 807 KAR 5:001, Sections 8 and 10)

KRS 278.180

30 days' notice of rates to Commission
(no effective date means no notice given
and this is acceptable)

807 KAR 5:071,
Section 3 (2)

- (a) Copy of valid third-party beneficiary agreement or other evidence of financial integrity.
- (b) A comparative income statement showing test period per books.
- (c) Details of any allocated or prorated expenses.
- (d) Detailed depreciation schedule of all treatment plant properties and facilities listing all major components of "package" treatment plants separately.
- (e) Copies of all service contracts entered into by the utility for outside services, such as but not limited to: operation and maintenance, sludge hauling, billing, collection, repairs, etc., in order to justify current contract services and charges or proposed changes in said contracts.
- (f) A description of the applicant's property and facilities, including a statement of the net original cost (estimate if not known), the cost thereof to the applicant, and a current breakdown of contributed and non-contributed property and facilities owned by the applicant ("contributed property" means property paid for by others).
- (g) A detailed customer listing showing number of customers in each customer class and average water consumption for each class of customers.
- (h) If the utility has billing and collection services provided by the Louisville Water Company, remittance advices from the Louisville Water Company showing revenues and collection charges should be submitted for the test period.
- (i) A copy of the latest tax returns (federal and state, if applicable) filed by the applicant.
- (j) A full and complete explanation of corporate or business relationships between the applicant and a parent or brother-sister corporation, subsidiary(ies), a development corporation(s), or any other party or business, to afford the commission a full and complete understanding of the situation.

807 KAR 9.001

- Section 9(1) Full name and post office address of applicant and a reference to the particular provision of law requiring Commission approval.
- Section 9(2) The original and 10 copies of the the application with an additional copy for any party named therein as an interested party.
- Section 10(1)
(b) (1) A statement of the reason the adjustment is required.
- Section 10(1)
(b) (2) A statement that the utility's annual reports, including the annual report for the most recent calendar year, are on file with the commission in accordance with 807 KAR 9:006, Section 3(1)
- Section 10(1)
(b) (3) If the utility is incorporated, a certified copy of the utility's articles of incorporation and all amendments thereto or out of state documents of similar import. If the utility's articles of incorporation and amendments have already been filed with the commission in a prior proceeding, the application may state this fact making reference to the style and case number of the prior proceeding.
- Section 10(1)
(b) (4) and (5) If applicant is a limited partnership, a certified copy of the limited partnership agreement or if the agreement was filed with the VSC in a prior proceeding, a reference to the style and case number of the prior proceeding and a certificate of good standing or certificate of authorization dated within sixty (60) days of the date the application is filed.
- Section 10(1)
(b) (6) A certified copy of a certificate of assumed name as required by KRS 369.015 or a statement that such a certificate is not necessary.
- Section 10(1)
(b) (7) The proposed tariff in a form which complies with 807 KAR 9:011 with an effective date not less than thirty (30) days from the date the application is filed.
- Section 10(1)
(b) (8) Proposed tariff changes shown either by providing present and proposed tariffs in comparative form or indicating additions by italicized inserts or underlining and striking over deletions in a copy of the current tariff.
- Section 10(1)
(b) (9) A statement that customer notice has been given in compliance with subsections (3) and (4) of 807 KAR 9:001, Section 10 with a copy of the notice.

Section 10(2)

Utilities with gross annual revenues greater than \$1,000,000 shall file a written notice of intent at least four (4) weeks prior to filing their application. The notice of intent shall state whether the application will be supported by a historical test period or a fully forecasted test period.

FOR UTILITIES USING A HISTORICAL TEST PERIOD THE FOLLOWING INFORMATION MUST BE FILED UNLESS THE UTILITY SUBMITS A STATEMENT WHY THE REQUIRED INFORMATION DOES NOT EXIST AND IS NOT APPLICABLE TO THE UTILITY'S APPLICATION:

Section 10
(6) (a)

A complete description and quantified explanation for all proposed adjustments with proper support for any proposed changes in price or activity levels, and any other factors which may affect the adjustment.

Section 10
(6) (b) & (c)

If the utility has gross annual revenues greater than \$1,000,000, the prepared testimony of each witness the utility proposes to use to support its application. If the utility has gross annual revenues less than \$1,000,000, the prepared testimony of each witness the utility proposes to use to support its application or a statement that the utility does not plan to submit any prepared testimony.

Section 10
(6) (d)

A statement estimating the effect that the new rate(s) will have upon the revenues of the utility including, at minimum, the total amount of revenues resulting from the increase or decrease and the percentage of the increase or decrease.

Section 10
(6) (e)

If the utility provides electric, gas, water or sewer service the effect upon the average bill for each customer classification to which the proposed rate change will apply.

Section 10
(6) (g)

An analysis of customers' bills in such detail that revenues from the present and proposed rates can be readily determined for each customer class.

Section 10
(6) (h)

A summary of the utility's determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage, or operating ratio, with supporting schedules.

Section 10
(6) (i)

A reconciliation of the rate base and capital used to determine its revenue requirements.

Section 10
(6) (j)

A current chart of accounts if more detailed than the Uniform System of Accounts prescribed by the commission.

- Section 10
(6) (k) The independent auditor's annual opinion report, with any written communication from the independent auditor to the utility which indicates the existence of a material weakness in the utility's internal controls.
- Section 10
(6) (n) A summary of the utility's latest depreciation study with schedules by major plant accounts, except that telecommunications utilities that have adopted the commission's average depreciation rates shall provide a schedule that identifies the current and test period depreciation rates used by major plant accounts. If the required information has been filed in another commission case a reference to that case's number and style will be sufficient.
- Section 10
(6) (o) A list of all commercially available or in-house developed computer software, programs, and models used in the development of the schedules and work papers associated with the filing of the utility's application. This list shall include each software, program, or model; what the software, program, or model was used for; identify the supplier of each software, program, or model; a brief description of the software, program, or model; the specifications for the computer hardware and the operating system required to run the program.
- Section 10
(6) (p) Prospectuses of the most recent stock or bond offerings.
- Section 10
(6) (q) Annual report to shareholders, or members, and statistical supplements covering the two (2) most recent years from the utility's application filing date.
- Section 10
(6) (r) The monthly managerial reports providing financial results of operations for the twelve (12) months in the test period.
- Section 10
(6) (s) Securities and Exchange Commission's annual report for the most recent two (2) years, Form 10-Ks and any Form 8-Ks issued within the past two (2) years, and Form 10-Qs issued during the past six (6) quarters updated as current information becomes available.
- Section 10
(6) (t) If the utility had any amounts charged or allocated to it by an affiliate or general or home office or paid any monies to an affiliate or general or home office during the test period or during the previous three (3) calendar years, the utility shall file:
1. A detailed description of the method and amounts allocated or charged to the utility by the affiliate or general or home office for each charge allocation or payment;
 2. An explanation of how the allocator for the test period was determined; and

3. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during the test period was reasonable;

UTILITIES USING HISTORIC PERIODS WITH PRO FORMA ADJUSTMENTS FOR KNOWN AND MEASURABLE CHANGES SHALL FILE THE FOLLOWING INFORMATION OR A STATEMENT EXPLAINING WHY THE REQUIRED INFORMATION DOES NOT EXIST AND IS NOT APPLICABLE TO THE UTILITY'S APPLICATION:

Section 10 (7) (a) A detailed income statement and balance sheet reflecting the impact of all proposed adjustments.

Section 10 (7) (b) The most recent capital construction budget containing at least the period of time as proposed for any pro forma adjustment for plant additions.

Section 10 (7) (c) For each proposed pro forma adjustment reflecting plant additions the following information:

1. The starting date of the construction of each major component of plant;
2. The proposed in-service date;
3. The total estimated cost of construction at completion;
4. The amount contained in construction work in progress at the end of the test period;
5. A schedule containing a complete description of actual plant retirements and anticipated plant retirements related to the pro forma plant additions including the actual or anticipated date of retirement;
6. The original cost, cost of removal and salvage for each component of plant to be retired during the period of the proposed pro forma adjustment for plant additions;
7. An explanation of any differences in the amounts contained in the capital construction budget and the amounts of capital construction cost contained in the pro forma adjustment period; and
8. The impact on depreciation expense of all proposed pro forma adjustments for plant additions and retirements;

Section 10 (7) (d) The operating budget for each month of the period encompassing the pro forma adjustments;

Section 10 The number of customers to be
(7) (a) added to the test period - and level
 of customers and the related revenue
 requirements impact for all pro
 forma adjustments with complete details
 and supporting work papers.

THE FOLLOWING INFORMATION SHOULD BE INCLUDED IN THE PUBLIC NOTICE: (NOTE: The commission may grant a utility with annual gross revenues greater than \$1,000,000, upon written request, permission to use an abbreviated form of published notice of the proposed rates provided the notice includes a coupon which may be used to obtain all of the information required herein.)

Section (10) The amount of the change requested
(3) (a) in both dollar amounts and percentage
 change for each customer classification
 to which the proposed rate change will
 apply.

Section 10 The present rates and the proposed
(3) (b) rates for each customer class to which
 the proposed rates would apply.

Section 10 Electric, gas, water and sewer
(3) (c) utilities shall include the effect
 upon the average bill for each customer
 class to which the proposed rate
 change will apply.

Section 10 Local exchange companies shall
(3) (d) include the effect upon the average
 bill for each customer class for the
 proposed rate change in basic local service.

Section 10(4) If copy of public notice is included, did it meet other
 requirements?"

• If applicant has 20 customers or less, or is a sewer utility, written notice of proposed rate changes and estimated amount of increase per customer class shall be mailed to each customer no later than date of application.

For applicants with more than 20 customers, notice of proposed rates and estimated amount of increase per customer class shall be: (1) included with customer billings before application is filed or (2) published in a trade publication or newsletter going to all customers before applications is filed or (3) published once a week for 3 consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, first publication to be made within seven (7) days of the filing of the application.

If the notice is published, an affidavit from the publisher verifying the notice was published, including the dates of the publication with an attached copy of the published notice, shall be filed with the commission no later than forty-five (45) days of the filed date of the application.

If the notice is mailed, a written statement signed by the utility's chief officer in charge of Kentucky operations verifying the notice was mailed shall be filed with the commission no later than thirty (30) days of the filed date of the application.

All utilities, in addition to the above notification, shall post a sample copy of the required notification at their place of business no later than the date on which the application is filed which shall remain posted until the commission has finally determined the utility's rates.

Each notice shall contain the following language:

"The rates contained in this notice are the rates proposed by _____, However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for customers other than the rates included in this notice.

"Any corporation, association, body politic or person may request leave to intervene by motion within 30 days after notice of the proposed rate changes is given. The motion shall be submitted to the Public Service Commission, 730 Schenkel Lane, P. O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. Interveners may obtain copies of the application and testimony by contacting _____ at _____. A copy of the application and testimony shall be available for public inspection at the utility's offices."

FINANCING

Filing Requirements Checklist

(Applicable Regulation: 807 KAR 5:001, Sections 6 & 11)

807 KAR 5:001:

Law/Regulation

Filing Requirement

- Section 8(1) Full name and post office address of applicant and a reference to the particular provision of law requiring Commission approval.
- Section 8(2) The original and 10 copies of the application with an additional copy for any party named therein as an interested party.
- Section 8(3) If applicant is a corporation, a certified copy of the Articles of Incorporation and all amendments thereto or if the articles were filed with the PSC in a prior proceeding, a reference to the style and case number of the prior proceeding.
- KRS 278.300(2) Every financing application shall be made under oath, and shall be signed and filed on behalf of the utility by its president, or by a vice president, auditor, comptroller or other executive officer having knowledge of the matters set forth and duly designated by the utility.

807 KAR 5:001:

- Section 11(1)(a) Description of applicant's property. Statement of original cost of applicant's property and the cost to the applicant, if different.
- Section 11(1)(b) If stock is to be issued:
--Description of amount and kinds to be issued.
--If preferred stock, a description of the preferences.
If Bonds or Notes or Other Indebtedness is proposed:
--Description of the amount(s).
--Full description of all terms
--Interest rate(s)
--Whether the debt is to be secured and if so a description of how it's secured.
- Section 11(1)(c) Statement of how proceeds are to be used. Should show amounts for each type of use (i.e., property, debt refunding, etc.)

807 KAR 5:001:

- Section 11(1)(d) If proceeds are for property acquisition, give a full description thereof. Supply any contracts.
- Section 11(1)(e) If proceeds are to refund outstanding obligations, give:
--Par value
--Amount for which actually sold
--Expenses and application of proceeds
--Date of obligations
--Total amount

--Time held
--Interest rate
--Payee

Section 11(2)(a) Financial Exhibit
(See below)

Section 11(2)(b) Copies of all trust deeds or mortgages. If previously filed,
state case number.

Section 11(2)(c) If property to be acquired:
--Maps and plans of property.

Section 11(2)(c) --Detailed estimates by USOA account number.

ALL INFORMATION BELOW IN SECTIONS 6(1) THROUGH 6(9) SHOULD COVER THE PERIOD
ENDING NOT MORE THAN 90 DAYS PRIOR TO DATE
ON WHICH APPLICATION WAS FILED:

007 KAR 5:001

- Section 6(1) Amount and types of stock authorized.
- Section 6(2) Amount and types of stock issued and outstanding.
- Section 6(3) Detail of preference terms of preferred stock.

- Section 6(4) Mortgages:
--Date of Execution
--Name of Mortgagor
--Name of Mortgagee or Trustee
--Amount of Indebtedness Secured
--Sinking Fund Provisions

- Section 6(5) Bonds:
--Amount Authorized
--Amount Issued
--Name of Utility Who Issued
--Description of Each Class Issued
--Date of Issue
--Date of Maturity
--How Secured
--Interest Paid in Last Fiscal Year

007 KAR 5:001

- Section 6(6) Notes Outstanding:
--Date of Issue
--Amount
--Maturity Date
--Rate of Interest
--In Whose Favor
--Interest Paid in Last Fiscal Yr.

- Section 6(7) Other Indebtedness:
--Description of Each Class
--How Secured
--Description of Any Assumption of Indebtedness by Outside Party (i.e., any transfer)
--Interest Paid in Last Fiscal Yr.

- Section 6(8) Rate and amount of dividends paid during the five (5) previous fiscal years and the amount of capital stock on which dividends were paid each year.

- Section 6(9) Detailed income statement and balance sheet.

IF APPLICANT IS A SEWER UTILITY, THE FOLLOWING ADDITIONAL FILING REQUIREMENTS APPLY:

807 KAR 5:071:

Section 3(3)(a) Copy of amortization schedules of present and proposed indebtedness.

Section 3(3)(a) A full and complete explanation of any corporate or business relationships between applicant and parent or brother-sister corporation, subsidiary(ies), a development corporation(s), or any other party or business to afford the PSC a full understanding of the situation.