

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF OHIO COUNTY)
WATER DISTRICT FOR (1))
AUTHORITY TO ASSUME OWNERSHIP,)
OPERATION AND MAINTENANCE OF)
ROUGH RIVER WATER SYSTEM, INC.) CASE NO. 95-459
(2) AUTHORITY TO MAKE GENERAL)
ADJUSTMENTS IN THE CURRENT)
RATES AND (3) AUTHORITY TO)
INCREASE THE CURRENT)
CONNECTION FEES)

O R D E R

IT IS ORDERED that Ohio County Water District ("Ohio Water") shall file the original and 12 copies of the following information with the Commission no later than August 9, 1996, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

1. Refer to the response to Item 1 of the Commission's April 30, 1996, Order:
 - a. Provide a detailed analysis of the Combined System (W/Adjustments) Miscellaneous Service Revenues of \$12,508.96.

b. Recalculate pro forma salaries and wages expense - employees using the July hourly rates contained on page 33 and the current level of employees to reflect 1995 payroll changes. Include all assumptions, calculations, and workpapers used to recalculate pro forma salaries.

c. Explain Ohio Water's removal of only \$53,259 of Rough River's \$55,285 purchased water expense for 1995 from its combined 1995 Pro Forma Operations.

d. Explain Ohio Water's recordation process for the removal and testing of the 3,959 meters that it proposes to replace over a 5-year period.

e. Does Ohio Water's proposed adjustment to depreciation expense reflect only the purchase price of the replacement meters? Explain.

f. Explain Ohio Water's proposal to depreciate its new meters over a 30-year period.

2. Refer to the response to Item 6 of the Commission's April 30, 1996 Order, Wage Increase Comparison. In this comparison, Ohio Water has shown that several of its employees worked over 2,080 regular hours in 1995. Explain why hours worked in excess of 2,080 were not reported as overtime.

3. Provide supporting documentation for Mr. Porter's statement that in 1996 Ohio Water's classification would probably be changed from a Class III to a Class IV treatment plant.

4. Are all 4 of Ohio Water's plant operators certified as Level III operators? If no, explain.

5. Provide a description of the Division of Water's requirements for a Class III treatment plant.

6. Refer to the response to Item 10 of the Commission's April 30, 1996, Order:

a. For 1995, separately identify the amount of time each Ohio Water employee spent on non-recurring capital projects.

b. Explain Ohio Water's procedure for recording the labor cost incurred in installing new meters.

c. Provide the number of new meters installed in 1993, 1994, and 1995.

d. Identify the Ohio Water employees responsible for installing Ohio Water's meters.

e. Provide an estimate of the number of hours an employee spends installing a meter. Include all assumption, calculations, and workpapers used in the estimate.

7. Since Ohio Water indicates in its response to Item 12 that it does not plan to retain Rough River's bookkeeper, explain why Ohio Water did not propose to remove the bookkeeper's salary from Rough River's 1995 expenses.

8. Explain Ohio Water's need for more than 3 laborers to assist in the flushing program.

9. Refer to Ohio Water's response to Item 15 of the Commission's April 30, 1996, Order:

a. Provide an accounting invoice which specifies the billable hours and the hourly rate for accounting services.

b. Explain why Ohio Water included the \$1,450 accounting fee on page 3 as a rate case cost and as an expense in contractual services - accounting in Item 24, page 164.

c. Does the "new chart of accounts" on the invoice refer to the 1989 Uniform System of Accounts? If not, explain the reference.

d. Provide justification for the \$2,850 accounting fee, and specifically address whether the services provided as an auditor duplicate in any way the services provided in this rate case.

10. According to the response to Item 22 of the Commission April 30, 1996 Order, Ohio Water provides individual health insurance coverage for its employees. Explain why Ohio Water did not increase its health insurance expense to reflect the new employee that will be hired to implement the flushing program.

11. Refer to the response to Item 24 of the Commission's April 30, 1996, Order:

a. The last entry on page 150 is \$1,924. Identify the date of this entry, and if this cost was originally included in Account 105 - Construction Work In Progress. If it was not included in Account 105, explain the original accounting treatment.

b. Provide justification for the \$5,125 billed by the accountant to complete the 1994 Annual Report. Include a detailed analysis of the hours the accounting firm spent for this service.

c. Provide justification for the audit fee of \$9,550 billed by the accountant. Include a detailed analysis of the hours the accounting firm spent for this service.

12. Refer to the response to Item 29 of the Commission's April 30, 1996, Order:

a. Line loss for the combined system in 1995 was 23.7 percent.

Identify the steps Ohio Water has undertaken to control and/or reduce its line loss.

b. Provide justification for allowing rate recovery for all line loss in excess of 15 percent.

13. a. Ohio Water has proposed to amortize the cost of the hydraulic analysis over a 3-year period. Explain why this cost was not considered an overhead construction cost and depreciated over the associated construction project.

b. Identify the construction project associated with the analysis and the composite depreciation rate.

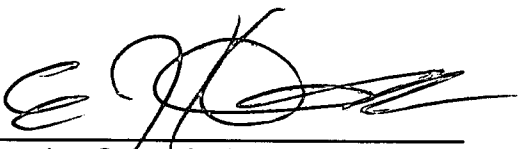
14. Refer to Exhibit CC, Item 30.

a. Identify the expenses on Page 3 of 4 for which the notes on Page 4 of 8 apply.

b. Provide an explanation of Note 5 on Page 4 of 8.

Done at Frankfort, Kentucky, this 1st day of August, 1996.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:



Executive Director