

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE)
WHOLESALE WATER SERVICE RATES OF) CASE NO.
THE MUNICIPAL WATER SYSTEM OF THE) 96-326
CITY OF HODGENVILLE, KENTUCKY)

O R D E R

IT IS ORDERED that the City of Hodgenville, Kentucky ("Hodgenville") shall file the original and 12 copies of the following information with the Commission by November 21, 1996 with a copy to all parties of record. Each copy of the information 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. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of that information in responding to this Order.

1. Provide all narratives, hydraulic computations, or other analyses necessary to show the degree to which LaRue County Water District No. 1 ("LaRue District") will benefit from the construction associated with Hodgenville's proposed rate adjustment.

2. a. What is the total inch-miles of pipeline in Hodgenville's system?

b. Of this amount, how much is used to provide service to LaRue District?

3. a. How much of the total capacity of Hodgenville's water treatment plant is currently reserved for LaRue District?

b. Does Hodgenville expect any change in this level within the next three years? If yes, state what changes are expected and the reasons for these changes.

4. a. Who owns the master meter(s) used to serve LaRue District?

b. Who maintains the master meters used to serve LaRue District?

5. Provide a system map showing all Hodgenville facilities which are used to serve LaRue District.

6. Refer to Hodgenville's Petition and Notice, Exhibit 1, "Preliminary Engineering Report for 200,000 gallon Elevated Water Storage and Booster Pump Station," page 1. The second goal of the proposed project is reportedly to "promote economic development."

a. How will the proposed project promote economic development?

b. How will LaRue District benefit from the promotion of economic development in Hodgenville?

7. Refer to Hodgenville's Petition and Notice, Exhibit 1, "Preliminary Engineering Report for 200,000 gallon Elevated Water Storage and Booster Pump Station," page 2. In determining Hodgenville's water storage requirements, the fire flow requirements for Hodgenville are considered. Should LaRue District be required to incur

through Hodgenville's rates any portion of the cost of storage facilities designed to meet Hodgenville's fire flow volume requirement of 180,000 gallons? Why?

8. Will the proposed Hodgenville Industrial Park water storage tank and proposed booster pumping station be used to provide water to LaRue District?

9. Refer to Hodgenville's Petition and Notice, Exhibit 1, "Preliminary Engineering Report for 200,000 gallon Elevated Water Storage and Booster Pump Station," page 2. GRW Engineers, Inc. ("GRW Engineers") recommends the installation of a booster pumping station to fill the proposed water storage tank if the tank is located at the Hodgenville Industrial Park. GRW Engineers states that the booster pumping station is necessary "[d]ue to the difference in elevation between the industrial park and the remainder of the City." If the reason for locating the proposed water storage tank in the Hodgenville Industrial Park is "the potential for economic development," why should LaRue District be required to bear any of the costs associated with the proposed booster pumping station?

10. What portion, if any, of the Hodgenville water line(s) that serve LaRue District are gravity fed?

11. a. Has LaRue District complained to Hodgenville about the lack of an adequate water supply? Has LaRue complained to Hodgenville about the lack of an adequate water supply?

b. Has LaRue District complained to Hodgenville about service pressure? Has LaRue complained to Hodgenville about the lack of an adequate water supply?

12. Refer to Hodgenville's Petition and Notice, Exhibit 6, "Water For Resale Rate Study," Table 4.

a. Provide a copy of all insurance policies for which the \$28,544 was expended.

b. Identify all facilities which are covered by the policies.

13. How does Hodgenville allocate expenses between its water and sewer departments?

14. Hodgenville's Petition and Notice, proposed tariff and billing analysis show Hodgenville's present wholesale rate as \$0.96 per 1,000 gallons and its proposed rate as \$1.58 per 1,000 gallons. The newspaper notice and the contract with LaRue District, however, list a declining block rate.

a. What is Hodgenville's present rate for water service to LaRue District?

b. What is Hodgenville's proposed rate for water service to LaRue District?

15. Provide the water usage and rates which GRW Engineers used to determine the current and proposed costs to LaRue District.

16. Refer to Hodgenville's Petition and Notice, Exhibit 6, Billing Analysis. This analysis shows that LaRue District purchased 33,451,000 gallons during 1994. Exhibit 6, "Water For Resale Rate Study," Table 8 indicates that LaRue District purchased 25,239,900 gallons. Reconcile the difference.

17. a. Who prepared "Water For Resale Rate Study" (Hodgenville's Petition and Notice, Exhibit 6)?
- b. Provide a copy of the preparer's curriculum vitae.
- c. List the cases before this Commission in which the preparer has submitted a cost-of-service study.
- d. List all utilities (municipal or public) for which the preparer has prepared a cost-of-service study. For each utility, identify the type of utility service (water or sewer) for which the report was prepared.
- e. If the preparer has not previously submitted a cost-of-service study to the Commission, provide a representative sample of the studies which he has performed for municipal and public utilities for water and sewer service.

18. Complete the table below.

City of Hodgenville	Gallons for 1994
Plant use	
Line Loss	
Sales to Retail	
Sales to LaRue	
Total Produced and Purchased	
Total Sold	

19. Refer to Hodgenville's Petition and Notice, Exhibit 6, "Water For Resale Rate Study." For each allocation factor used in this study, explain how the allocation factor was derived. State all assumptions and provide all calculations used to derive

each factor. For each factor explained, provide a reference to the table within the "Water For Resale Rate Study" where that factor is located.

20. Refer to Hodgenville's Petition and Notice, Exhibit 6, "Water For Resale Rate Study," Table 9. "City Sales" includes "29,848.2 units unmetered."

a. Why does GRW Engineers assume that half of all unaccounted for water is unmetered water used by Hodgenville? Provide quantitative support for this assumption.

b. What types of water service (e.g., service to municipal buildings, fire protection) are included in the unmetered amount? For each type of service, estimate the percentage of the total unmetered amount.

21. Why should Hodgenville's costs for treating water purchased from LaRue District be included in those costs allocated to LaRue District?

22. Refer to Hodgenville's Petition and Notice, Exhibit 6, "Water For Resale Rate Study," Table 7. Explain this table. Identify the purpose of each column, state how the amounts listed in each column were obtained, and explain the significance of each amount.

23. Refer to Hodgenville's Petition and Notice, Exhibit 6, "Water For Resale Rate Study," Table 9. Based upon this table, Hodgenville's cost of serving LaRue District is \$2.59 per 1,000 gallons. Why is Hodgenville proposing rates which are less than its cost of serving LaRue District?

24. For each item listed below, explain how the pro forma adjustment was derived. State all assumptions and show all calculations which were made to derive these adjustments.

- a. Treatment Salaries - \$ 4,100
- b. Power - \$3,000
- c. Chemical & Lab - \$5,000
- d. Distribution & Transmission Salaries - \$1,200
- e. Customer Accounts Salaries - \$660
- f. Administrative & General Salaries - \$250
- g. Retirement - \$350

25. Refer to Hodgenville's Petition and Notice, Exhibit 6, "Water For Resale Rate Study," Table 5. A coverage factor of 50 percent is shown for existing debt service (\$29,905/\$59,808), while a coverage factor of 20 percent is shown for new debt service (\$16,516/\$82,580). Why are different coverage factors used?

26. Provide a schedule of rate case expenses incurred as a result of this proceeding. This schedule shall include a breakdown of actual or estimated expenses by category (e.g., Accounting, Legal, Engineering), specifying the number of hours worked, hourly rates, and a description of services provided.

27. Refer to Hodgenville's Petition and Notice, Exhibit 2, "Independent Auditor's Report on General Purpose Financial Statements For Year Ended June 30, 1994," page 20.

a. Are the expenses listed on this page actual expenses? If no, what do these expenses represent?

b. Are any of the expenses listed joint expense which required allocations between Hodgenville's Water and Sewer Departments?

c. If yes, identify the expenses which were joint expenses. For each joint expense, explain how the expense was allocated.

Done at Frankfort, Kentucky, this 4th day of November, 1996.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director