

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE )  
WHOLESALE WATER SERVICE RATES OF ) CASE NO. 97-453  
THE CITY OF DANVILLE, KENTUCKY )

O R D E R

IT IS ORDERED that the City of Danville, Kentucky ("Danville") shall file the original and 8 copies of the following information with the Commission by February 20, 1998, 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 its legibility. Where requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this Order.

1. At page 2 of its Application, Danville states that a 12-month historical test period with known and measurable changes was used to determine its revenue requirements. The expenditures in Exhibit 6 of the Application which are used to calculate revenue requirements, however, are characterized as "estimates" and are not supported by the 12-month historical data contained in Exhibit 5 of the Application.

a. Provide a schedule that reconciles the historical data set forth in Exhibit 5 with the expenditure data contained in Exhibit 6. This schedule shall list the historical data by chart of account detail as in Exhibit 5 and shall show all corresponding known and measurable adjustments by amount. It shall further contain for each adjustment a description of the adjustment.

b. The historical data information set forth in Exhibit 5 of the Application is allocated into four categories: "Water Utility Services," "Sewer Utility Services," "Utility Administrative and Technical Services," and "Non-Departmental Expenditures."

(1) Explain the methodology used to allocate total expenditures.

(2) Show and explain all calculations used to allocate common or joint costs between water and sewer functions.

(3) Show and explain all calculations used to allocate proposed adjustments to common or joint costs between water and sewer functions.

2. In its published notice of the proposed rate adjustment, Danville states: "An additional twenty (20) percent surcharge will be added to the total bill." Neither Danville's proposed rate schedule nor its proposed ordinance mentions such a surcharge.

a. Is Danville proposing to assess a 20 percent surcharge on its wholesale customers?

b. If yes, how was the 20 percent surcharge determined?

3. Refer to Danville's Application, Exhibit 6. How were the calculations shown in Exhibit 6 used to calculate the proposed wholesale declining block rate?

4. Refer to Danville's Application, Exhibit 6. Provide a detailed breakdown of all expenses included in the following categories:

- a. Minimum Bill - \$236,549
- b. Cost of Production - \$642,744
- c. Cost of Administration - \$125,545
- d. Cost of Distribution - \$308,147
- e. Cost of Debt Service - \$506,406
- f. Cost of Capital Improvement Program - \$212,400

5. For Danville's water system during the test period, provide:

- a. the average day demand.
- b. the maximum day demand.
- c. the maximum hour demand.

6. Provide the actual or estimated non-coincidental peak factors for each customer classification for average day, maximum day and maximum hour demands during the test period.

7. a. Does Danville's water system provide fire service?

b. If yes, are any of the expenses associated with providing this service allocated to Danville's wholesale customers?

8. Provide the number of public and private fire service classifications by service size.

9. Provide a breakdown of all water revenue by classification (i.e., residential, commercial, wholesale, fire protection, miscellaneous).

10. a. State the total miles for each size water line in Danville's system  
b. For each line size used by each wholesale customer, state the number of jointly used miles.

11. Provide a detailed cost-of-service study which is based upon the base-extra capacity method or the commodity-demand method approved by the American Water Works Association and set out in its Manual M-1. For each allocation factor used, show the formula and its basis.

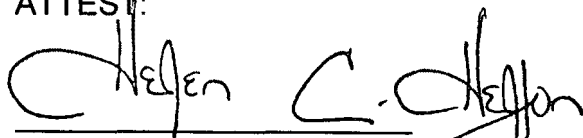
Done at Frankfort, Kentucky, this 23rd day of January, 1998.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:

  
Executive Director