

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF OHIO COUNTY WATER)
DISTRICT FOR: (1) ISSUANCE OF A)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY FOR CONSTRUCTION OF)
THE 1997 WATER SYSTEM IMPROVEMENTS;) CASE NO. 98-015
(2) AUTHORIZATION TO ISSUE SERIES I)
REVENUE BONDS IN THE AMOUNT OF)
\$4,000,000; AND (3) AUTHORIZATION TO)
RAISE RATES TO PAY FOR THE ADDITIONAL)
INDEBTEDNESS)

O R D E R

IT IS ORDERED that Ohio County Water District ("Ohio District") shall file the original and 8 copies of the following information with the Commission by June 23, 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. When applicable, the requested information should be provided for total company operations and jurisdictional operations, separately.

1. Identify, for each contract contained in the Series I Water System Improvements, the date when construction plans and specifications were completed.
2. Refer to Ohio District's Application, Exhibit N, Item 4.
 - a. Identify the person(s) responsible for the preparation of the proposed schedule for Series I Construction.
 - b. For each person listed in 2(a), describe his or her experience in obtaining regulatory approvals of water construction projects from the Division of Water of the Kentucky Natural Resources and Environmental Protection Cabinet ("Division of Water").
 - c. For each person listed in 2(a), describe his or her experience in obtaining regulatory approvals of water construction projects from the Public Service Commission.
 - d.
 - (1) When was the proposed schedule originally developed?
 - (2) If the original proposed schedule differs from that found at Ohio District's Application, Exhibit N, Item 4, provide the original proposed schedule.
3. Why did Ohio District submit its proposed plans and specifications for the Series I Water System Improvements to the Division of Water in a piecemeal fashion rather than simultaneously?
4. Why did Ohio District submit its proposed plans and specifications for the Series I Water System Improvements to the Public Service Commission in a piecemeal fashion rather than simultaneously?
5. Provide a revised version of Ohio District's Application, Exhibit N, Item 4, that reflects the current status of all contracts and Ohio District's time estimates.

6. Why did Ohio District advertise portions of Series I Water System Improvements for bidding when the proposed financing depended upon a bond issuance to finance all Series I Water System Improvements, when no approval for the proposed financing had been obtained, when plans and specifications for only 54 percent of the Series I Water System Improvements had been completed, and when Ohio District had presented its Series I Water System Improvements to the Public Service Commission as an integrated package?

7. a. List and describe all material changes, if any, that have occurred to Ohio District's water distribution system since June 1995.

b. For each change listed above, state the effect, if any, upon the hydraulic analysis submitted in June 1995 ("Hydraulic Analysis").

c. If material changes are listed in 7(a), state for each change listed whether Ohio District has modified the Hydraulic Analysis to reflect that change.

8. Refer to Ohio District's Sworn Testimony at pages 12-13, and 51-53.

a. State when the meeting with Commission Staff occurred.

b. Identify who (Ohio District representatives and Commission Staff members) was present at this meeting.

9. Refer to Ohio District's Response to the Commission's Order of May 8, 1998 ("Exhibit P"), Item 16, page 36. Explain why Ohio District considers the Ohio County Fiscal Court's ("Fiscal Court") agreement to provide 1 million gallons of water daily for 12 years to be equivalent to \$1,210,000. Show all calculations and state all assumptions used to reach this conclusion.

10. a. Does Ohio District have a written agreement with the Fiscal Court requiring it to provide 1 million gallons daily ("MGD") of water to Ohio District for 12 years?

b. If a written agreement exists, provide the agreement.

c. (1) If no written agreement presently exists, do Ohio District and Fiscal Court intend to execute such agreement?

(2) If no written agreement is to be executed, explain why.

11. Refer to Ohio District's Response to the Commission's Order of October 21, 1997 in Case No. 97-423, Item 3.

a. Provide the agreement, and all amendments thereto, between Fiscal Court, the cities of Hartford and Beaver Dam, Ohio County Industrial Foundation, Ohio County Development Authority, and Perdue Farms, Inc. ("Perdue") regarding the location of Perdue's processing plant.

b. What is the term of these agreements?

c. What is Perdue's obligation under these agreements to provide free water to Fiscal Court at the end of the agreements' term?

d. What rights, if any, do the agreements provide for continued water supply from Perdue at the end of the agreements' term?

12. What rights, if any, does Ohio District have to Perdue's water at the conclusion of its agreement with Fiscal Court?

13. Will Ohio District fully recover during the term of its 12 year agreement with Fiscal Court its costs to connect with the Perdue water plant? State all assumptions and show all calculations upon which Ohio District bases its response.

14. Refer to Ohio District's Response to the Commission's Order of May 8, 1998 ("Exhibit P"), Item 16, page 26.

a. Does Ohio District have a written agreement with Fiscal Court regarding Fiscal Court's commitment of "\$700,000 to be used for improvements"?

b. If a written agreement exists, provide the agreement.

c. (1) If no written agreement presently exists, do Ohio District and Fiscal Court intend to execute such agreement?

(2) If no written agreement is to be executed, explain why.

(3) If no written agreement is to be executed, what assurance, if any, does Ohio District have of receiving the \$700,000 from Fiscal Court?

(4) If no written agreement is to be executed, what assurance, if any, does Ohio District have that Fiscal Court will not attach additional conditions to the disbursement of the \$700,000?

(5) Provide all documents that currently evidence Fiscal Court's commitment to provide "\$700,000 to be used for improvements."

d. Describe in detail the terms of the Fiscal Court's current "commitment."

15. At Exhibit P, Item 16, page 33, Ohio District refers to Fiscal Court's offer to provide 1 MGD of water as a second source of funding and as "free water."

a. As Fiscal Court has attached conditions to its supply of 1 MGD of water, should the water provided under this offer be described as "free"?

b. What is Ohio District's cost to meet the conditions attached to Fiscal Court's offer of 1 MGD of water?

c. What is the estimated cost for Ohio District to expand the capacity of its treatment plant by 1.0 MGD?

d. In light of the conditions attached to Fiscal Court's offer of "free water" and of the additional costs which Ohio District will incur to connect its system to Perdue's system, do the benefits associated with the acceptance of this offer outweigh the costs? Explain your response. Provide all calculations and state all assumptions upon which Ohio District bases its response.

16. At page 9 of Ohio District's Sworn Testimony, Mr. Rod Martin, referring to Ohio District's use of 1 MGD of water from Perdue's water plant and the need to expend approximately \$200,000 to connect Ohio District's facilities to Perdue's facilities, states: "[I]t was decided that that [sic] would not help the District and wouldn't be the best use of their money because that just simply put water to our facility, but it did not get water out into the system where we were having low pressure problems."

a. When did Ohio District make its decision not to further pursue use of the 1 MGD capacity from Perdue?

b. When did Ohio District reverse this decision and decide to proceed with the Perdue connection project?

c. Why did Ohio District alter its original position?

17. Refer to Ohio District's Application, Exhibit N, Item 4.

a. Did Ohio District originally intend that the improvements contained in Contracts C, D, and E would be constructed simultaneously?

b. What effect, if any, will any delay in constructing the improvements in Contracts D, E, and F have on the usefulness of the improvements contained in Contract C?

18. a. How many new customers will Ohio District gain upon completion of the improvements set forth in Contract A?

b. What level of revenue will be produced from water sales to these new customers? Provide all calculations and state all assumptions upon which Ohio District bases its response.

c. (1) Upon completion of the improvements set forth in Contract A, will new customers be permitted to immediately tap-on to these improvements?

(2) If no, when and under what circumstances will these customers be permitted to tap-on?

(3) Will the Division of Water permit tap-ons to the improvements set forth in Contract A if the improvements contained in the other portions of the Series I Water System Improvements are not completed?

19. Refer to Ohio District's Response to the Commission's Order of October 21, 1997 in Case No. 97-423, Item 7. Identify the size of meter used to serve each poultry producer.

20. a. Identify each government or private lending organization from whom Ohio District sought funding for its proposed improvements.

b. Provide all correspondence between Ohio District and these lending organizations in which funding for the proposed improvements is discussed.

21. Provide the proposed bond ordinance for the proposed Series I bond issuance.

22. a. Will completion of the proposed Series I Improvements correct the system deficiencies which led the Division of Water to issue a Water Line Extension and Tap-on Ban on Ohio District's system on April 1, 1997?

b. If yes, will these improvements lead to the immediate lifting of the Water Line Extension and Tap-on Ban?

23. Refer to the Commission's Order of May 8, 1998, Item 5(b). Ohio District was directed to provide the specific reconciling items that comprise the proposed adjustment of \$72,494 that resulted from "a billing period that differs from the test year; late payments; and a differing billing cycle." Ohio District failed to provide specific reconciling items. Provide the information originally requested.

24. Refer to Exhibit P, Item 6. Does Ohio District expect this purchased water expense to be a recurring expense? If yes, explain why.

25. Refer to Exhibit P, Item 7. If different chemicals and dosages were used during the test period,

a. Provide invoices for the chemicals that Ohio District currently uses to treat its water.

b. Identify the months during the test period in which the "optimum level" of operation using these chemicals and dosages was reached.

26. Refer to Exhibit P, Item 8(a). For each invoice listed below, state whether the expenditure which was recorded in Account 620 should be classified as a capital expense. If the expenditure should not be classified as a capital expense, explain why.

- a. Wenhoener - No. 017734 - \$161.10.
- b. Wenhoener - No. 017770 - \$295.00.
- c. Wenhoener - No. 018004 - \$52.50.
- d. Wenhoener - No. 018871 - \$80.00.
- e. Wenhoener - No. 018871 - \$94.52.
- f. Wenhoener - No. 018265 - \$320.00.
- g. Wenhoener - No. 018334 - \$320.00.
- h. Wenhoener - No. 019902 - \$284.70.
- i. G & C Supply - No. 233743 - \$1,502.15.
- j. Wenhoener - No. 020865 - \$500.00.
- k. Wenhoener - No. 020865 - \$311.63.
- l. Reynolds, Inc. - No. 4676 - \$11,956.50.

27. Refer to Exhibit P, Item 8(b). For each invoice listed below, state whether the contractual service expense should be classified as a capital expense. If the expenditure should not be classified as a capital expense, explain why.

- a. Reynolds, Inc. - No. 5994 - \$9,876.50.
- b. Reynolds, Inc. - No. 4490 - \$9,940.91

28. Refer to Exhibit P, Item 8(b). For each invoice listed below, state whether the contractual service expense should be classified as a recurring expense. If the expenditure should not be classified as a recurring expense, explain why.

- a. Specialty Diving - 586-K & 593-K - \$19,399.00.
- b. Hunter Martin & Assoc. - 4/15/97 - \$1,350.00.
- c. Hunter Martin & Assoc. - 5/22/97 - \$6,048.00.

29. Explain why Ohio District has chosen not to include in its proposed rates depreciation expense for the proposed improvements or to establish a fund for repairs and replacements for the proposed improvements.

30. a. Upon completion of the improvements set forth in Contract D and without the improvements set forth in the Series II and III Water System Improvements, will the new Hoover Elevated Water Tank completely fill?

b. If no,

(1) What additional improvements are needed to ensure that the new Hoover Elevated Water Tank will completely fill?


(2) When does Ohio District currently expect to construct these improvements?

Done at Frankfort, Kentucky, this 9th day of June, 1998.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director