

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATES OF THE CITY OF) CASE NO. 99-300
CYNTHIANA, KENTUCKY)

ORDER

IT IS ORDERED that the city of Cynthiana, Kentucky ("Cynthiana") shall file the original and 8 copies of the following information with the Commission no later than December 13, 1999, 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. When the 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. a. Has Cynthiana enacted an ordinance establishing the proposed wholesale rate to the Harrison County Water Association?
 - b. (1) If yes, provide a copy of this ordinance.
 - (2) If no, state why no ordinance has been enacted as of the date of this Order.

2. At page 2 of his direct testimony, Mr. Hensley states that Cynthiana commissioned him to prepare a full cost analysis of the water and sewer services of the City and that to prepare this analysis he reviewed and recapped the time charges for the months of July, August, and September 1999. Provide Mr. Hensley's analysis and all workpapers used to prepare this analysis.

3. Explain how Mr. Hensley determined that July 1999 was representative of the amount of time and cost spent by the Public Works department on water related matters.

4. a. Does Mr. Hensley agree that Cynthiana and its surrounding area was experiencing drought conditions during the months of July, August, and September 1999?

b. If yes,

(1) Describe how these drought conditions would affect the operations of the Public Works Department as they relate to water matters.

(2) Why would a time analysis of this 3-month period be representative of the Public Works Department's normal operations?

5. How did Cynthiana allocate the hours and salaries of its Public Works Department to its Water and Sewer Divisions prior to Mr. Hensley's full cost analysis?

6. Why is Cynthiana proposing to change its method of allocating the hours and salaries of its Public Works Department to the Water and Sewer Divisions?

7. Why is it reasonable in this proceeding to apply the results of a 1-month time study to a 12-month period of operations?

8. State when Mr. Hensley was retained to perform his full cost analysis for Cynthiana.

9. a. State whether Cynthiana currently requires its employees in the Finance, Public Affairs, and Public Works Departments to record their time by function.

b. If no, explain why Cynthiana discontinued this requirement.

10. a. Refer to Cynthiana's Response to the Commission's Order of October 1, 1999, Item 6 (Supplemental Response). Provide the following information for each of the Public Works employees listed on Exhibit 2.

(1) Total regular hours worked during the fiscal year ended June 30, 1999.

(2) Total overtime hours worked during the fiscal year ended June 30, 1999.

(3) Using the allocation methodology that Cynthiana used prior to Mr. Hensley's full cost analysis, provide the regular and overtime hours allocated to each division during the fiscal year ended June 30, 1999.

(4) Using the allocation methodology resulting from Mr. Hensley's full cost analysis, provide the regular and overtime hours allocated to each division during the fiscal year ended June 30, 1999.

(5) The wage rates effective during the fiscal year ended June 30, 1999.

(6) The wage rates currently in effect.

b. Calculate the Public Works Department employees pro forma salaries using the allocation methodology that Cynthiana used prior to Mr. Hensley's

full cost analysis, the regular hours worked during the fiscal year ended June 30, 1999, the overtime hours worked during the fiscal year ended June 30, 1999, and the wage rates currently in effect.

c. Calculate the Public Works Department employees pro forma salaries using allocation methodology resulting from Mr. Hensley's full cost analysis, the regular hours worked during the fiscal year ended June 30, 1999, the overtime hours worked during the fiscal year ended June 30, 1999, and the wage rates currently in effect.

11. Refer to Cynthia's Response to the Commission's Order of October 1, 1999, Item 6 (Original Response), Sheet 3 of 3.

a. Do any of the Water Department employees listed on this schedule perform work for the Sewer Department?

b. If yes, describe how these employees' hours and salaries are allocated to the Sewer Division.

c. Provide the following information for each Water Department employee listed on this schedule:

(1) Total regular hours worked during the fiscal year ended June 30, 1999.

(2) Total overtime hours worked during the fiscal year ended June 30, 1999.

(3) The wage rates effective during the fiscal year ended June 30, 1999.

(4) The wage rates currently in effect.

d. Calculate the Water Department's employee pro forma salaries using (1) the regular hours worked during the fiscal year ended June 30, 1999; (2) the overtime hours worked during the fiscal year ended June 30, 1999; and (3) the wage rates currently in effect.

12. a. Refer to Cynthia's Response to the Commission's Order of October 1, 1999, Item 1b, Exhibit 1 (Cost Analysis with Additional Labor). For each account listed below, provide a detailed analysis:

(1)	Repairs	\$ 6,139
(2)	Chemicals	\$ 26,839
(3)	Office Supplies	\$ 5,164
(4)	Other Supplies	\$ 73,620
(5)	Purchase of Capital Assets	\$ 16,947
(6)	Columbia Gas	\$ 16,796

b. Provide supporting invoices for all items contained in the accounts listed above that exceed \$500.

c. Explain why the following expense accounts are not allocated between the water and sewer divisions:

(1)	Postage	\$ 7,929
(2)	Audit	\$ 2,000
(3)	Bond Fees	\$ 1,000
(4)	Linen Services	\$ 432
(5)	Testing Equipment	\$ 393

d. Provide a detailed breakdown of Other Income in the amount of \$15,973.

13. Provide a 5-year comparison of the water division's chemical expense.

14. Provide the contribution rate Cynthiana makes to its employees retirement account.

15. a. Provide the following insurance invoices for 1998 and 1999:

(1) Workers Compensation.

(2) Property & Liability.

(3) Employee Health Insurance.

(4) Employee Dental Insurance.

(5) Other Insurance Coverage.

b. For each insurance policy listed above, provide the methodology used to allocate the cost between the water and sewer divisions. Include the basis to support the use of each methodology.

16. a. Refer to Cynthiana's Response to the Commission's Order of October 1, 1999, Item 5a, Sheet 24 of 43. It appears that the bond ordinance requires a minimum debt service coverage of 1.25 percent. Explain why a 1.20 percent debt service coverage was used in Cynthiana's cost-of-service study.

b. Recalculate Cynthiana's cost of service using a 1.25 percent debt service in place of the requested 1.20 percent.

17. Refer to the Direct Testimony of Carlos F. Miller at 6. Provide the workpapers and supporting documents used to develop the debt service factors used to allocate the principal and interest payments to the Water Department.

18. Refer to Cynthiana's Response to the Commission's Order of October 1, 1999, Item 9.

a. Does Cynthiana allocate the depreciation of the trucks and maintenance vehicles or office equipment between its Water and Sewer Departments?

b. If no, explain why these expenses are not allocated between these departments.

c. Provide the basis for the following depreciation lives:

(1)	Plant	33 Years
(2)	Engineering Fees	20 Years
(3)	Intake, Pumping Imp.	33 Years
(4)	Water Distribution System	33 Years

19. Refer to the Direct Testimony of Carlos F. Miller at 5. Provide a detailed analysis of the incremental drought cost of \$78,848. Provide a copy of the supporting invoice for any item that exceeds \$500.

20. a. At page 5 of his Direct Testimony, Mr. Miller states that Cynthiana will install a back-up raw water pump in January 2000 at an estimated cost of \$143,185. Provide supporting documentation for the estimated cost and explain why a back-up pump needs to be installed.

b. Cynthiana's depreciation schedule shows that a new motor and pump was depreciated over 20 years and an intake pumping imp. was depreciated over 33 years. Explain why a 10-year depreciation life is appropriate for this proposed pump.

c. In Case No. 10481,¹ the Commission gave notice that adjustments for post test-period additions to plant in service should not be requested unless all revenues, expenses, rate base, and capital items have been updated to the same period as the plant additions.

(1) Has Cynthiana updated its revenues, expenses, rate base, and capital to the same period as its system improvement?

(2) If yes, identify each item that has been updated to reflect the same period.

21. Provide all workpapers, calculations and assumptions used to calculate Cynthiana's estimated rate case expense. Include all invoices received to date for the following outside services: engineering, accounting, and legal.

Done at Frankfort, Kentucky, this 29th day of November, 1999.

By the Commission

ATTEST:

Executive Director

¹ Case No. 10481, Notice of Adjustment of the Rates of Kentucky-American Water Company Effective on February 2, 1989, Order issued August 22, 1989.