

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATE OF THE CITY OF WEST) CASE NO. 2001-00472
LIBERTY, KENTUCKY)

COMMISSION STAFF S SECOND SET OF INTERROGATORIES
AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO CITY OF WEST
LIBERTY, KENTUCKY

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that the city of West Liberty, Kentucky ("West Liberty") file the original and 8 copies of the following information with the Commission no later than March 27, 2002, with a copy to all parties of record. Each copy of the information requested shall 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 shall 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 request.

1. Refer to West Liberty's Response to Commission Staff's First Set of Interrogatories and Requests for Production of Documents. For each response, list the

name and position of the person who prepared the response and is responsible for responding to questions related to the response.

2. Provide all financial and engineering studies that West Liberty prepared or commissioned that relate to the 1997 Raw Water project.

3. Describe all discussions that West Liberty has held with officials of the Kentucky Infrastructure Authority (KIA) since 1996 concerning West Liberty s possible provision of water service to municipal and public utilities within the general vicinity of West Liberty.

4. Provide all correspondence between KIA and West Liberty since 1996.

5. Provide all internal documents, memoranda, notes, and correspondence since 1996 in which West Liberty s possible provision of water service to municipal and public utilities within the general vicinity of West Liberty is discussed.

6. Provide the minutes of each meeting of the West Liberty City Council since 1996 in which the provision of water service to any municipal or public utility within the general vicinity of West Liberty is discussed.

7. Refer to West Liberty s Response to Commission Staff s First Set of Interrogatories and Requests for Production of Documents, Item 1. List and describe the major repairs referred to in the response and state the cost of each repair.

8. Refer to West Liberty s Response to Commission Staff s First Set of Interrogatories and Requests for Production of Documents, Item 2. List the materials and suppliers that account for the expense of \$61,680 and state each item s cost.

9. Provide a cost breakdown of the 1997 Raw Water Supply Project s major components (e.g., intakes, pipelines, pumps).

10. State the number of customers that West Liberty's sewer operations served as of June 30 of

- a. 1999.
- b. 2000.
- c. 2001.

11. a. State how frequently West Liberty reads the water meters for its retail and wholesale customers.

b. State the names and positions of the West Liberty employees who read water meters during the test period.

12. West Liberty's General Ledger for the test period indicates an expenditure of \$7,000 for Billing Software (9/8/99) and \$6,579 for Greentree Systems (11/4/99).¹

a. For each expenditure, describe the nature of the acquisition and identify the divisions that will use the acquired items or services.

b. For each expenditure, state whether West Liberty expects to incur similar expenditures on a recurring basis. Explain.

c. If West Liberty does not expect to incur these expenditures on a recurring basis, explain whether these expenditures should be capitalized and amortized over a period of several years.

13. West Liberty's Salaries and Wages expense for the test period was \$151,555. State whether any pro forma adjustments should be made to Salaries and Wages (and any related accounts such as Retirement, Payroll Taxes, etc.) to reflect

¹ These amounts represent total expenditures and were allocated evenly between water operations and sewer operations.

subsequent pay increases, retirements, attrition, turnover, new hires, or other personnel changes. If pro forma adjustments should be made, identify each proposed adjustment, state the nature of the proposed adjustment, and show the calculations used to derive the amount of the proposed adjustment.

14.
 - a. Describe the nature of the Bad Debts Expense of \$606.
 - b. State whether Morgan County Water District (Morgan District) paid all bills for water service rendered to it during the test period.
 - c. Explain how Bad Debts expense of \$606 is related to the provision of wholesale water service to Morgan District.
15.
 - a. Describe the nature of Postage expense of \$1,283.
 - b. State the amount of Postage expense of \$1,283 that is related to the mailing of bills to retail customers.
 - c. State whether West Liberty agrees that postage expense related to the mailing of bills to retail customers should not be allocated to Morgan District.
16. Describe the terms of all health and life insurance benefits that West Liberty provides to employees involved in its water operations. This description should describe the scope of the benefits (i.e., single or family coverage).
17. During the test period, West Liberty's water operations incurred insurance expenses of \$11,067.
 - a. Provide a copy of each insurance policy whose premiums were included in this expense.

b. For each policy that covered assets or services of other West Liberty operations, describe how West Liberty allocated the policy premium between its operations.

c. State whether the premiums for these policies have been revised since the test period. For any revision, provide the most recent insurance premium invoice.

18. a. Describe the chemical process that West Liberty uses to treat its water.

b. Explain why test period chemicals expense of \$75,733 is representative of West Liberty's pro forma operations.

19. West Liberty's test period general ledger shows two payments to SAL and several payments to Citgo that are included in Chemicals expense.

a. Identify the chemicals that West Liberty purchased from these vendors.

b. State whether these expenditures are expected to occur on recurring basis.

20. Refer to West Liberty's Response to Commission Staff's First Set of Interrogatories and Requests for Production of Documents, Item 9.

a. Explain how the cap was determined.

b. State when Mayor Wells initially determined the cap level.

c. Describe any changes made to the level of the cap since its initial determination.

d. Explain how West Liberty's Response is consistent with its response to the Commission's Order of December 26, 2001, Items 7 and 8, in which West Liberty stated that it does not allocate costs and has no shared or joint costs.

e. State whether the \$40,000 charged to water is an allocation of administrative overhead.

21. a. List each West Liberty employee that provided office and administrative services to West Liberty's water operations.

b. For each employee listed in response to Item 21(a):

(1) State the employee's test period wage rate and current wage rate.

(2) Describe the employee's duties for all West Liberty operations.

(3) Describe the employee's duties that relate to West Liberty's water operations.

(4) Describe the percentage of the employee's work time that is devoted to West Liberty's water operations.

22. List and describe each legal service that West Liberty provided its water operations for the test period.

23. Describe the office space and facilities that West Liberty provides for its water operations.

24. a. Explain the nature and purposes of test period uniform allowance expense of \$6,197.

b. Explain why this test period level of expenses is representative of ongoing operations.

25. a. State whether West Liberty's water-related interest income should be considered in determining Morgan District's wholesale rate. Explain.

b. If West Liberty's water-related interest income were considered in determining Morgan District's wholesale rate, state the level of the income that should be considered.

26. a. Provide West Liberty's rates for retail water service that were in effect as of June 30, 2000.

b. Provide West Liberty's rates for retail water service that are currently in effect.

27. a. State whether West Liberty provides retail water service to the East Kentucky Correctional Complex.

b. If West Liberty provides retail water service to the East Kentucky Correctional Complex,

(1) State the East Kentucky Correctional Complex's water purchases for each month of the period from July 1, 1999 to June 30, 2001.

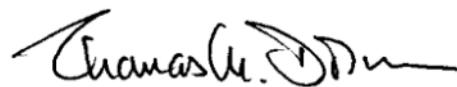
(2) State the rate that West Liberty assesses to the East Kentucky Correctional Complex.

(3) Provide the contract for water service between the East Kentucky Correctional Complex and West Liberty.

28. Refer to West Liberty's Response to the Commission's Order of December 26, 2001, Item 2, Attachment B at 72. Provide a breakdown showing the

basis for each allocation of expense between water and sewer operations. For example, this breakdown should show West Liberty's basis for allocating 59 percent of professional fees of \$18,885 to water operations.

29. Refer to West Liberty's Response to Commission Staff's First Set of Interrogatories and Requests for Production of Documents, Item 7. State the basis for the percentage used to allocate each expense between treatment, distribution, customer and administrative and general. The responses that West Liberty provided the allocations or that an allocation is based upon judgement decisions are not responsive.



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DATED: March 13, 2002

cc: Parties of Record