

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MADISON COUNTY UTILITY	)	
DISTRICT (A) FOR AUTHORITY TO FINANCE	)	
CONSTRUCTION IN THE APPROXIMATE	)	CASE NO.
AMOUNT OF \$3,000,000; (B) A CERTIFICATE	)	2002-00184
OF CONVENIENCE AND NECESSITY FOR THE	)	
CONSTRUCTION OF WATER FACILITIES; AND	)	
(C) ADJUSTMENT OF RATES	)	

O R D E R

On August 9, 2002, Madison County Utility District ( Madison District ) filed an application for an adjustment of its rates.

The Commission, on its own motion, HEREBY ORDERS that:

1. The procedural schedule, attached hereto as Appendix A, shall be followed in this case.
2. Madison District shall respond to the Request for Information, attached hereto as Appendix B, within the time period set out in Appendix A of this Order, with copies to all parties of record and 6 copies to the Commission.
3. All responses shall be appropriately indexed and shall include the name of the witness who will be responsible for responding to questions related to the information provided.
4. At any hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

5. Motions for extensions of time with respect to the appended procedural schedule shall be made in writing and will be granted only upon a showing of good cause.

6. All documents that this Order requires to be filed with the Commission shall be legible and shall be served upon all other parties.

7. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

Done at Frankfort, Kentucky, this 20<sup>th</sup> day of August, 2002.

By the Commission

ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2002-00184 DATED August 20, 2002

Madison District shall file its responses to the Commission's request  
for information (Appendix B hereof) no later than..... 09/03/02

Intervenors and Commission Staff shall serve their first interrogatories  
and requests for production of documents upon Madison District no  
later than ..... 09/16/02

Madison District shall file with the Commission and serve upon all  
parties of record and Commission Staff its responses to the first  
interrogatories and requests for production of documents no later than..... 09/30/02

All supplemental interrogatories and requests for production of  
documents shall be served upon Madison District no later than ..... 10/14/02

Madison District shall file with the Commission and serve upon all  
parties of record its responses to supplemental interrogatories and  
requests for production of documents no later than ..... 10/28/02

Intervenors' testimony, if any, shall be filed with the Commission and  
served upon all parties of record in verified prepared form no later than..... 11/06/02

Parties and Commission Staff shall serve interrogatories and requests  
for production of documents upon Intervenors no later than ..... 11/19/02

Intervenors shall file with the Commission and serve upon all other  
parties of record and Commission Staff their responses to interrogatories  
and requests for production of documents no later than ..... 12/03/02

Madison District may file with the Commission verified testimony of  
its rebuttal witnesses no later than ..... 12/13/02

Last day for Madison District to publish notice of hearing date ..... To be scheduled

Public Hearing at the Commission's offices at 211 Sower Boulevard,  
Frankfort, Kentucky, for the purpose of cross-examination  
of witnesses ..... To be scheduled

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2002-00184 DATED August 20, 2002

1. Identify all plant items and their costs included in the depreciation schedule as shown at Exhibit 9 of the Application that will be replaced during the proposed construction.

2. Provide a schedule that lists all personnel employed during the test year along with each employee's job title, test year pay rate, regular hours worked, over-time hours worked, total paid, and amount of pay capitalized and expensed. The total included on this schedule as expensed payroll should match the amounts charged to the salaries and wages expense for the test year as shown on the income statement. This schedule shall also include Commissioners. Indicate any employees that are currently not employed with the District and state whether the vacated position will be refilled and when.

3. In responding to the following refer to the adjusted operating statement and coverage requirement schedule as included in the District's filing of August 9, 2002.

a. Purchased Water. Provide complete and detailed workpapers that show the determination of the 6 percent increase. The response shall include full explanation of all assumptions used in determining the percentage.

b. Bad Debt Expense. Provide complete and detailed workpapers that show the determination of the 5 percent increase. The response shall include full explanation of all assumptions used in determining the percentage.

c. Commissioner s Salaries. Provide complete and detailed workpapers supporting the pro forma amount of \$24,000. The response shall detail individual Commissioners and their related salaries.

d. Insurance, Miscellaneous, and Office Expense. Provide complete and detailed workpapers that show the determination of the 15, 15, and 5 percent increases to these accounts. The response shall include a full explanation of all assumptions used in formulating these percentages.

e. Payroll Taxes and Employee Benefits. Provide complete and detailed workpapers that show the determination of the proposed amount of \$91,624. The response shall include a full explanation of all assumptions used in formulating the 3 percent increase and separately detail the increase related to the new employees.

f. Professional Services. Provide detailed workpapers supporting the adjustment of \$13,505. The workpapers shall give specific detail as to the nature of the work to be performed, the timing of the work, and to which particular tank the work relates.

g. Rents. Provide complete and detailed workpapers that show the determination of the 5 percent increase. The response shall include full explanation of all assumptions used in determining the percentage.

h. Repairs and Maintenance.

1) Provide complete and detailed workpapers that show the determination of the 5 percent increase. The response shall include full explanation of all assumptions used in determining the percentage.

2) Provide detailed support of the \$30,000 for annual evaluation. The response should detail the nature and timing of the work to be performed, the amounts attributable to each tank, explanation of how the amounts were determined, and contractor bids for all work to be performed.

3) Provide a full narrative description of the District's meter change out program.

4) When did the meter change out program begin?

5) How many meters were changed out during 1999, 2000, 2001, and the test year?

6) Provide support for the \$88 cost of replacing one meter.

7) Explain how the District determined that 600 meters should be replaced annually.

8) Provide contractor bids for the proposed tank painting in years 2002, 2003, and 2004.

i. Salaries and Wages.

1) Have the two new employees referred to in Note 2 been hired? If yes, state their actual pay rates. If no, where does the District stand in the hiring process and when is it anticipated that these employees will be hired?

2) How was the 400 overtime hours determined?

j. Truck Expense and Utilities and Telephone. Provide complete and detailed workpapers that show the determination of the 5 percent increases. The response shall include full explanation of all assumptions used in determining the percentages.

4. Provide a list of all business activities of the District aside from its regulated utility activities. For each activity listed describe the accounting policies and procedures in place to ensure that those activities are not subsidized by regulated rates or vice versa.

5. Provide a general ledger for the District for the test year that details each entry to all accounts. The account totals shall equal those of the test year financial statements as included in the application.

6. Provide the entire bond ordinance and resolution for the 1997 issue that includes an amortization schedule and revenue coverage requirements.

7. Provide written documentation from Kentucky Infrastructure Authority verifying the loan balance of \$3,000,000, amortization schedule, interest rate, term of the indebtedness, and revenue coverage requirement.

8. Provide copies of all test year purchased water invoices.

9. File a Billing Analysis that provides a 12-month historical test period of actual customer usage as well as an annualized usage and revenue table as shown in attachment A. Provide all calculations, workpapers, and explain all assumptions utilized to determine the proposed rates.

10. The application states that the new construction will add 108 new customers to the utility. The Billing Analysis should reflect these new customers and their projected usage and revenue should be noted on the Billing Analysis.

11. The applicant has provided information in the Annual Report concerning private fire protection and the 7 customers that have this service. Has the utility taken

into consideration the conclusions of Administrative Case No. 385<sup>1</sup> and made appropriate adjustments in these rates? If not, please explain what steps will be taken to revise these rates in accordance with the findings of Administrative Case No. 385.

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<sup>1</sup> Administrative Case No. 385, An Investigation Into Fees for Fire Protection Services.



## ATTACHMENT A

### Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns numbered 2 and 3 are completed by using information obtained from usage records.

Columns numbered 4, 5, 6, 7, 8, and 9 are completed by the following steps:

**Step 1:** 1<sup>st</sup> 2,000 gallons minimum bill rate level  
432 Bills  
518,400 gallons used  
All bills use 2,000 gallons or less, therefore, all usage is recorded in Column 4.

**Step 2:** Next 3,000 gallons rate level  
1,735 Bills  
4,858,000 gallons used  
1<sup>st</sup> 2,000 minimum x 1,735 bills = 3,470,000 gallons record in Column 4.  
Next 3,000 gallons remainder of water over 2,000 = 1,388,000 gallons record in Column 5.

**Step 3:** Next 10,000 gallons rate level  
1,830 Bills  
16,268,700 gallons used

1<sup>st</sup> 2,000 minimum x 1,830 bills = 3,660,000 gallons record in Column 4.  
Next 3,000 gallons x 1,830 bills = 5,490,000 gallons record in Column 5.  
Next 10,000 gallons remainder of water over 3,000 = 7,118,700 gallons  
record in Column 6.

**Step 4:** Next 25,000 gallons rate level

650 Bills

15,275,000 gallons used

1<sup>st</sup> 2,000 minimum x 650 bills = 1,300,000 gallons record in Column 4.

Next 3,000 gallons x 650 bills = 1,950,000 gallons record in Column 5.

Next 10,000 gallons x 650 bills = 6,500,000 gallons record in Column 6.

Next 25,000 gallons remainder of water over 10,000 = 5,525,000 gallons  
record in Column 7.

**Step 5:** Over 40,000 gallons rate level

153 Bills

9,975,600 gallons used

1<sup>st</sup> 2,000 minimum x 153 bills = 306,000 gallons record in Column 4.

Next 3,000 gallons x 153 bills = 459,000 gallons record in Column 5.

Next 10,000 gallons x 153 bills = 1,530,000 gallons record in Column 6.

Next 25,000 gallons x 153 bills = 3,825,000 gallons record in Column 7.

Over 40,000 gallons remainder of water over 25,000 = 3,855,600 gallons  
record in Column 8.

**Step 6:** Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

The Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains the revenue produced.

Revenue from Present/Proposed Rates  
 Test Period from 01-01-XX to 12-31-XX

**USAGE TABLE**  
Usage by Rate Increment

**Class:** Residential

(1)	(2) Bills	(3) Gallons/Mcf	(4) First 2,000	(5) Next 3,000	(6) Next 10,000	(7) Next 25,000	(8) Over 40,000	(9) Total
First 2,000 Minimum Bill	432	518,400	518,400					518,400
Next 3,000 Gallons	1,735	4,858,000	3,470,000	1,388,000				4,858,000
Next 10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16,268,700
Next 25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15,275,000
Over 40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9,975,600
<b>Totals</b>	<b>4,800</b>	<b>46,895,700</b>	<b>9,254,400</b>	<b>9,287,000</b>	<b>15,148,700</b>	<b>9,350,000</b>	<b>3,855,600</b>	<b>46,895,700</b>

**REVENUE TABLE**  
Revenue by Rate Increment

(1)	(2) Bills	(3) Gallons/Mcf	(4) Rates	(5) Revenue
First 2,000 Minimum Bill	4,800	9,254,400	\$ 5.00 Minimum Bill	\$ 24,000.00
Next 3,000 Gallons		9,287,000	\$ 2.50 per 1,000 Gal.	23,217.50
Next 10,000 Gallons		15,148,700	\$ 2.00 per 1,000 Gal.	30,297.40
Next 25,000 Gallons		9,350,000	\$ 1.25 per 1,000 Gal.	11,687.50
Over 40,000 Gallons		3,855,600	\$ 0.75 per 1,000 Gal.	2,891.70
<b>Totals</b>	<b>4,800</b>	<b>46,895,700</b>		<b>\$ 92,094.10 Total Revenue</b>

Instructions for Completing Revenue Table:

- (1) Complete Columns No. 1, 2, and 3 using information from Usage Tables.
- (2) Complete Column No. 4 using rates either present or proposed.
- (3) Column No. 5 is completed by first multiplying the bills times the minimum charge. Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.