

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)
AMOUNT OF \$3,000,000; (B) A CERTIFICATE) CASE NO. 2002-00184
OF CONVENIENCE AND NECESSITY FOR THE)
CONSTRUCTION OF WATER FACILITIES; AND)
(C) ADJUSTMENT OF RATES)

COMMISSION STAFF S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS TO
MADISON COUNTY UTILITY DISTRICT

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Madison County Utility District ("Madison") file the original and 6 copies of the following information with the Commission no later than September 30, 2002, 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 request. When applicable, the requested information should be provided for total company operations and jurisdictional operations, separately.

1. Refer to Madison's response to the Commission's Order dated August 20, 2002, Item 5. Identify by account number, title, and test year ending balance the general ledger accounts included in each revenue and expense account as shown for the test year in the application at Section 3 Proposed Rate Structures. Detail and explain all accounting entries necessary to reconcile the general ledger account balances to those in the application.

2. Explain and discuss Madison's procedure, policy, and theory on capitalizing versus expensing an expenditure.

3. Provide a schedule detailing all test year expenditures related to the application filed in Case No. 2002-00184. Provide in the schedule the nature and amounts of all charges, together with a copy of vendor invoices. Identify the account number and title to which each amount was charged. Also, provide the anticipated total cost of the case upon completion. The total cost should be detailed by type of service and vendor with supporting documentation for each.

4. Explain the accounting process used for materials and supplies inventory. The response should include, but not be limited to, a detailed description of the process and procedures used to purchase materials, a description of how materials and supplies are inventoried, and an explanation of the process used to determine whether materials and supplies are expensed or capitalized as they are removed from inventory. Include in the explanation how work orders are utilized.

5. Describe and explain the safeguards in place to protect Madison from misuse of its credit accounts for purchases of supplies, fuel, etc.

6. The following amounts were recorded in the test year general ledger.

Provide vendor invoices describing the nature of each item.

<u>Date Recorded</u>	<u>Account</u>	<u>Check #</u>	<u>Amount</u>
05/23/01	259	6070	\$7,000
05/23/01	851	6063	1,125
05/25/01	851	6072	795
05/14/01	853	6030	1,415
05/04/01	916	5993	540
05/04/01	930	5993	1,080
05/02/01	928	5979	1,400
06/11/01	930	6185	4,654
06/01/01	930	6132	3,050
07/19/01	121	6375	5,400
07/09/01	852	6333	1,179
08/20/01	121	6545	7,685
08/02/01	259	6476	2,645
08/23/01	851	6557	600
09/19/01	261	6699	40,000
09/06/01	852	6654	1,196
10/15/01	851	6825	900
10/05/01	930	6801	1,700
11/29/01	258	7079	32,012
11/07/01	259	6963	3,980
11/07/01	259	6967	6,956
11/29/01	852	7087	4,978
11/07/01	918	6966	1,725
12/21/01	121	7190	3,719
12/28/01	852	7234	9,123
01/10/02	851	7289	1,556
01/04/02	930	7249	1,200
01/11/02	930	7299	1,022
03/11/02	851	7588	9,100
03/22/02	852	7603	404
04/03/02	896	7667	2,864
04/19/02	896	7746	3,423

7. What do the fifteen \$50 entries to account 916 during December 2001 represent?

8. During January 2002, insurance proceeds were recorded in the amount of \$6,221.

- a. What were the circumstances surrounding Madison's receipt of these proceeds?
 - b. Were the costs covered by this receipt included in test year operating expenses?
 - c. If so, identify the account charged and specific entries made.
 - d. If not, explain.
9. Provide justification for the test year accrual of \$16,114.78 to allowance for doubtful accounts and the charge to bad debt expense.
 10. Provide all audit adjustments made to year 2001.
 11. Provide workpapers and justification for audit adjustments 15, 17, and 18 as shown in the April general ledger account 254. All audit workpapers shall be detailed so that individual checks and charges included in the adjustment can be determined.
 12. Provide workpapers and justification for audit adjustments 1, 2, 3, 15, and 16 as shown in the April general ledger account 259.
 13. Provide workpapers and justification for audit adjustments 3, 10, and 15 as shown in the April general ledger account 261.
 14.
 - a. Explain why Madison retained private legal counsel to file Case No. 2002-00184, rather than utilizing the services of the Madison County Attorney.
 - b. Provide all correspondence between Madison and the County Attorney concerning legal representation of Madison.
 15. What portion of health insurance premiums does Madison provide to its employees and Commissioners?

16. Explain Madison s employee retirement plan and describe what portion Madison pays on behalf of the employee.

17. When did Madison s employees last receive a pay increase? Describe Madison s process of awarding employee pay increases.

18. Explain the nature of the amounts included in the general ledger for Billing and Rental Income.

19. a. Provide supporting documentation for each balance in accounts 352, 353, 354, and 370. The response shall include complete detail and explanation of the original amounts accrued.

b. Provide workpapers showing the monthly or annual amortization of each of these accounts.

20. At what rate is Madison currently paying for purchased water?

21. KRS 74.020 requires a county judge/executive to have fiscal court approval prior to appointing more than five commissioners for merged water districts. Madison has had as many as eight commissioners and currently has six. Provide evidence of the fiscal court s approval of additional commissioners.

22. Refer to Madison s response to the Commission s Order of August 20, 2002, Item 3h(5).

a. Where in the general ledger were the costs of changing out 1,091 meters during the test year recorded? Were they capitalized? If no, explain why not. If yes, were the costs of the replaced meters removed from Madison s books?

b. Why is it appropriate to increase test year expenses to reflect the changing out of 500-600 meters annually when the test year already reflects the changing of 1,091 meters?

23. Refer to Madison's response to the Commission's Order of August 20, 2002, Item 3(h)(8).

a. Test year expenses can be adjusted for known and measurable changes only. Generally, the Commission requires executed bids for construction or repair work before allowing related test year adjustments. When will Madison secure contracts for the tank maintenance?

b. Describe how the tank improvement costs will be accounted for on the books of Madison once they are incurred.

c. Provide a schedule detailing the nature and cost of tank maintenance and repair for each of Madison's tanks for the previous 10 years. Each tank should be identified separately. Show how these costs were accounted for on the books of Madison.

24. Refer to Item 9 of the Commission's August 20, 2002 Order.

a. Provide all calculations and workpapers and explain all assumptions used to determine the proposed rates.

b. Include all calculations and workpapers and explain all assumptions used to determine the proposed declining block rate structure in the proposed rates.

25. Commission Staff's review of Madison's response to the Commission's August 20, 2002 Order produced the following combined totals for the test year:

<u>Bills</u>	<u>Usage</u>	<u>Revenue</u>
90,708	75,795,432	\$26,608,137

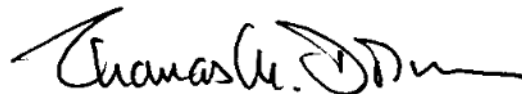
Provide all calculations and workpapers and explain all assumptions used to obtain the proposed combined totals set out in the response to Item 9 of the Commission's August 20, 2002 Order. The sheet titled Revenue from Proposed Rates establishes the following totals:

<u>Bills</u>	<u>Usage</u>	<u>Revenue</u>
99,432	86,017,920	\$3,156,626.52

26. Refer to the response to Item 10 of the Commission's August 20, 2002 Order. Madison's response produces revenue of \$3,271,322.52. Should the proposed rates be reduced to obtain the revenue from water sales requested in the application? Explain in detail.

27. What usage did Madison project for the additional 108 customers?

28. Provide the usage data for each customer for the test year (May 2001 through April 2002) on electronic data storage diskette in an Excel spreadsheet.



Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

DATED: September 16, 2002

cc: Parties of Record