

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 SUPPLEMENTAL 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 October 28, 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. In paragraph 17 of its petition, filed on August 9, 2002, Madison stated that notice of the proposed rate increase was being published and attached the affidavit of Madison's manager as Exhibit 7. Provide the affidavit from the publisher verifying publication and attach copies of the published notice, pursuant to Administrative Regulation 807 KAR 5:001, Section 10(4).

2. In its application Madison establishes the test period as the 12 months ended April 30, 2002 (Exhibit 2, Section 1, Test Period Financial Data). Attachment A of this request for information is a summary of revenues and expenses for the test period as compiled from the general ledger information provided by Madison in response to Item 5 of the Commission's Order dated August 20, 2002. Formulate a worksheet that reconciles each account shown in Attachment A with the accounts shown in Madison's application at Exhibit 2, Section 3, page 6. This reconciliation should give clear and concise reference to each account number, title, and balance shown in Attachment A, and should designate which cash operating revenue or expense account it is included or made a part of in Madison's application at Exhibit 2, Section 3, page 6. Detail and fully explain any and all adjustments individually that are necessary to reconcile the accounts included in Attachment A with those of the application.

3. Refer to Madison's response to Item 3 of Staff's request for information dated September 16, 2002. To clarify, Staff is requesting information concerning the cost incurred by Madison for formulating, filing, and litigating the application filed in this proceeding. Provide a schedule detailing the amount of all test-year costs incurred as a result of formulating, filing, and litigating this application. Provide an explanation and

vendor invoice for each amount. Identify the account number and title to which each amount was ultimately charged. Provide the same information for all related expenses incurred since the end of the test period. Also, provide the estimated cost to complete the application process from this point forward. This portion of the response shall be detailed by vendor with a description of specific work to be performed, the estimated time required, and the charge to Madison.

4. Refer to Madison's response to Item 12 of Staff's request for information dated September 16, 2002. Provide all invoices, work orders, and workpapers used by the auditor to make the referenced adjustments.

5. Provide evidence that Madison received approval from the county judge/executive as required by KRS 74.030 to hire legal counsel outside the county attorney's office to provide routine legal services as well as filing the application in this case.

6. Refer to Item 19 of Staff's request for information dated September 16, 2002. Provide all auditor workpapers detailing the amounts charged to accounts 352, 353, 354 and 370. The workpapers shall include, but not be limited to, the original amount of fees or costs with full explanation for each. The workpapers shall also include amortization schedules detailing the monthly and annual amortization charges.

7. Madison currently has six commissioners. Will there be additional appointments to Madison's Commission? If so, when? Explain in full detail.

8. a. Does the depreciation schedule shown in the application at Exhibit 9 support the depreciation expense of \$255,096 as stated in the 2001 audit report?

b. If no, provide a depreciation schedule supporting the audited amount.

c. If yes, provide a schedule summarizing Exhibit 9 listing all account totals that sum \$255,096.

9. Refer to Madison's response to Item 22 of Staff's request for information dated September 16, 2002.

a. Identify the cost of the 1,091 new meters in the depreciation schedule included in the Application at Exhibit 9.

b. Identify the cost of the replaced meters in the depreciation schedule included in the application at Exhibit 9.

c. Identify depreciation expense included in Exhibit 9 related to the replaced meters.

d. Are there any assets other than the replaced meters included in Exhibit 9 that have been taken out of service? If so, identify each asset, its cost, and depreciation.

10. Madison has not secured bids for the work to be performed on the six water storage facilities over the next 3 years as described in its letter to the Commission dated August 9, 2002. The Commission is precluded from establishing rates based on adjustments to test-year expenses that are not known and measurable. The criteria established to meet this standard for capital improvements and upgrades are executed contractor bids. However, the Commission has allowed water districts to establish a surcharge to finance improvement costs where less emphasis is placed on cost documentation.

a. When determining the rates proposed in the application, did Madison consider establishing a surcharge to cover the water storage improvement costs?

b. If yes, for what reasons did Madison decide not to apply for a surcharge? Explain in full detail.

c. If no, would Madison be opposed to the establishment of such a surcharge? Explain in full detail.

11. With regard to the two new employees representing the salary adjustment to test-year expenses, is it Madison's position that these employees are required as a direct result of the proposed expansion in this case or is it Madison's position that these employees would be needed regardless of the proposed construction?

12. Provide Madison's monthly water loss reports for the test year along with a lead schedule summarizing the water loss for the entire test year.

13. Refer to Item 24 of the Staff's request for information dated September 16, 2002. You provided a method to establish a new minimum bill and declining block rate structure.

a. Provide information relative to where or how this method was selected as the most appropriate method to determine the proposed minimum bill.

b. How was the remainder of the declining block charges calculated and what method was used to develop these charges? Provide all calculations, workpapers, assumptions, and reference material on this method.

c. In the event of a public hearing, who will be available to testify as to this method as well as all calculations, workpapers, assumptions, and reference material on the method used to establish the proposed rate design.

d. In response to Item 24(b), the highlighted sections provide a breakdown of usage information. The first step is 0-280 and the next step is 250-300. Explain why there is an overlap in usage and why this method was selected. Provide all calculations, workpapers, assumptions, and reference material on this method.

14. Refer to Item 25 of the Staff's request for information dated September 16, 2002.

a. Madison's response to Item 9 of the August 20, 2002 Order provided:

Billing Analysis Test Period		
<u>Bills</u>	<u>Usage</u>	<u>Revenue</u>
90,708	75,795,432	\$2,608,137
Billing Analysis with Proposed Rates		
<u>Bills</u>	<u>Usage</u>	<u>Revenue</u>
99,432	86,017,920	\$3,156,626.52

Review the following table developed by Staff from information provided by Madison County:

Source of Information		Bills	Usage	Revenue
Item 9	Kingston-Terrill	24,336	21,036,360	\$830,405
Item 9	Waco	33,108	28,016,148	747,033
Item 9	Whitehall	33,264	26,742,824	1,030,140
Test Year	SubTotal	90,708	75,795,432	2,607,578
Plus	3% Growth			
Plus	108 New Customers			
Proposed Rates	TOTAL	99,432	86,017,920	3,156,627

b. Provide all calculations and workpapers and explain all assumptions utilized to determine the differences of the test-period information and the proposed rate information from the above information provided by Madison County.

c. In addition to and more specifically, include all calculations and workpapers and explain all assumptions utilized to determine the proposed declining block rate structure in the proposed rates.

15. Refer to Madison's response to Item 10 of the Commission's August 20, 2002 Order. The response states revenue of \$3,271,322.52. This amount is in excess of the revenue requested in the application. Would you agree that the proposed rates should be reduced to obtain the revenue from water sales requested in the application? Explain in detail.

16. Provide the usage data for each customer for each month of the test year (May 2001 through April 2002) on electronic data storage diskette in an Excel spreadsheet format. For example:

Acct #	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec
3264	290	370	340	290	370	340	290	370	340	290	370	340
4568	0	0	100	0	0	100	0	0	100	0	0	100
6549	240	570	560	240	570	560	240	570	560	240	570	560
5454	700	630	410	700	630	410	700	630	410	700	630	410
etc	etc	etc	etc	etc	etc	etc	etc	etc	etc	etc	etc	etc
etc	etc	etc	etc	etc	etc	etc	etc	etc	etc	etc	etc	etc



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

DATED: October 14, 2002

cc: Parties of Record

## Attachment A

Account #	Title	Year End Balance 12/31/01	Less 4 Month Balance 4/30/01	Add 4 Month Balance 4/30/02	Balance Test Year
601	Sales Metered	2,418,259	726,715	778,206	2,469,750
60101	Sales Unmetered	578	567		12
602	Forfeited Discounts	47,353	15,754	14,401	46,000
603	Service Charges	18,590	5,292	5,790	19,088
604	Cut Off Charges	13,450	5,180	5,843	14,113
<b>Total</b>		<b>2,498,230</b>	<b>753,507</b>	<b>804,239</b>	<b>2,548,961</b>
701	Cost of Water	1,307,204	412,948	412,748	1,307,004
851	Accounting and Legal	24,257	15,592	14,388	23,053
852	Engineering Services	19,214	1,212	1,447	19,448
853	Truck Expense	30,967	10,190	11,368	32,145
854	Advertising	1,715	682	291	1,323
860	Bank Service Charges	376	10	258	624
861	Bad Debt Expense				-
874	Cash Over and Short				-
876	Contract Labor	270	270		-
878	Depreciation	245,997	83,333	81,332	243,996
879	Amortization	7,004	2,335	2,335	7,004
880	Dues and subscriptions	1,246	295	295	1,246
881	Donations				-
882	Seminars and meetings	1,864		404	2,268
884	Entertainment - Meals			85	85
895	Employee Retirement				-
896	Employee benefits	49,126	18,395	19,429	50,161
897	Insurance Workers Comp	13,516	3,066	4,132	14,582
904	Insurance general	17,592	3,496	6,033	20,129
905	Janitor service	1,350	600	525	1,275
908	Commissioners fees	24,000	8,400	7,200	22,800
909	Salaries and Wages	373,880	115,240	123,400	382,040
910	Licenses and taxes	4,916		85	5,001
912	Linen and Laundry	5,960	2,331	1,578	5,206
916	Miscellaneous expense	3,379	735	170	2,814
918	Office Supplies	12,008	4,982	2,908	9,934
922	Equipment Rental	1,807		447	2,254
923	Water samples and tests	6,194	1,574	2,126	6,747
924	Postage	24,764	6,689	7,090	25,165
926	Computer Service	3,358	2,981	3,931	4,308
928	Rent	17,323	5,600	5,355	17,079
930	Repairs and Maintenance	80,877	18,230	14,916	77,562
934	Unemployment taxes state	2,347	1,617	1,368	2,097
935	Unemployment taxes federal				-
936	Fica Employers share	28,331	8,796	9,243	28,778
938	Supplies	14,527	2,570	3,785	15,741
941	Phone and communications	16,349	5,204	4,568	15,714
942	Travel	761	88	349	1,022
943	Beeper Rental				-



## Attachment A

944 Uniforms				-
945 Utilities	2,394	991	609	2,012
946 Utilities Plant	8,384	3,100	3,126	8,409
<b>Total</b>	2,353,259	741,553	747,322	2,359,028
950 Other Income				-
951 Billing income	31,072	5,092	11,979	37,959
952 Rental Income	11,098	6,154	3,354	8,298
953 Interest Income	53,934	10,920	16,567	59,582
955 Miscellaneous Income	100		1,204	1,304
958 Insurance Proceeds			6,221	6,221
<b>Total</b>	96,205	22,166	39,325	113,364
975 Interest Expense	182,573	61,585	59,400	180,388
<b>Net Income</b>	58,602	(27,465)	36,842	122,908