

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)	
WATER DISTRICT FOR (A) FOR AN)	
ADJUSTMENT OF RATES; (B) A CERTIFICATE)	CASE NO.
OF PUBLIC CONVENIENCE AND NECESSITY)	2003-00224
FOR IMPROVEMENTS TO WATER FACILITIES)	
IF NECESSARY; AND (C) ISSUANCE OF BONDS)	

COMMISSION STAFF S FIRST SET OF INTERROGATORIES
AND REQUESTS FOR PRODUCTION OF DOCUMENTS
TO NORTHERN KENTUCKY WATER DISTRICT

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Northern Kentucky Water District ("Northern District") file the original and 8 copies of the following information with the Commission no later than November 12, 2003 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. When applicable, the requested information shall be provided for total company operations and jurisdictional operations, separately.

1. Refer to the response to Item 15(a) of the Commission's October 1, 2003 Order. Explain in detail how the data being gathered from demand meters that were placed on the wholesale customer connections will be used.

2. Refer to Exhibit N of the Application, Schedule 13, Units of Service for Rate Case Year.

a. The wholesale classification contains usage for the city of Bromley (Bromley). What portion of the test year does the usage reflect?

b. Bromley is listed as a wholesale customer. Given that Northern District purchased Bromley and is charging these customers the District's retail rates shouldn't the usage listed in the Cost-of-Service Study be used to calculate the retail rates and not the wholesale rate? If so, file all revised schedules in the application that would be impacted by this revision.

3. Schedules 14 and 15 of Exhibit N allocate \$21,534 to private fire protection. Why is this amount allocated 100 percent to the Quarterly Residential/Multi Family classification of customer on Schedule 15.1 when all other fire protection costs were allocated on a percentage basis among all retail classification of customers?

4. Refer to Exhibit C of the Application, Class A and B Water Districts and Associations Annual Report of Northern District for the Year Ended December 31, 2002 (2002 Annual Report), page 27 and to Exhibit N of the Application, Schedule 5, Revenues Not Subject to Rate Increase. Listed on Schedule 5 are surcharge revenues of \$199,482. Identify the account on page 27 of the 2002 Annual Report where the surcharge revenues are recorded.

5. Refer to the response to Item 3(a) of the Commission's October 1, 2003 Order, Test Year Depreciation Study. In its review of the reasonableness of Northern District's depreciation lives the Commission used published reference guidelines.¹ For each asset grouping listed in the table below, provide a detailed explanation for the differences between the depreciation life being used by Northern District and the depreciation life listed in the reference guideline:

	Asset Group	Asset No.	Description	Sch Life	Ref. Life
a.	304-0001-000	26	Ohio River Pump Station	99	20-40
b.	304-0002-000	269 295	Water Plant Taylor Mill	60	20-40
c.	304-0002-000	302	Licking River Permanganate	99	20-40
d.	304-0002-000	303-349		60	20-40
e.	304-0002-000	3543	Sodium Hypochlorite Retrofit	50	7-15
f.	304-0002-000	4674	New Lab	60	15-40
g.	304-0002-000	4712	FTTP Automation	60	10-40
h.	304-0002-000	4713	TMTP Filter Rehab	60	40
i.	304-0002-000	31161	TMTP Automation Structure	60	40
m.	304-0002-000	31162	Baffle Clearwell FTTP	60	40
n.	304-0003-000	117	CC Structures & Improvements	50	35-40
o.	304-0003-000	414	KC Structures & Improvements	50	35-40
p.	304-0003-000	3542	Newport Pumpstation	60	20-40
q.	304-0003-000	4718	Bristow Road Pumpstation	60	20-40
r.	304-0004-000	954	Office Building	50	35-40
s.	304-0004-000	963	Office Building	50	35-40
t.	304-0005-000	4729	Structures Other	15	35-40
u.	304-0006-000	4732-4777	Water Treatment Structure	3-60	35-40
v.	309-0001-000	27-32	Supply Mains Licking River-Ohio	99	50-75
w.	311-0001-000	4678	Pump #6 OPPS	35	20
x.	311-0003-000	148-3563		35	20
y.	311-0003-000	3591	Pump Station Sodium Hypo Ret.	35	15
z.	311-0003-000	4721	Vertical Pumps-Bristow Road	35	20
aa.	311-0003-000	31163	Richardson Rd PS Upgrade	35	20

¹ Depreciation Practices for Small Water Utilities, National Association of Regulatory Commissioners, 1979, Figure 1 at 11; and O&M Guide for the Support of the Rural Water-Wastewater Systems, Commission of Rural Water, Chicago, Illinois, 1974 at 246-247.

bb.	320-0001-000	348-405		60	20-35
cc.	331-0001-000	445-31286	Mains	99	50-75
dd.	331-0002-000	4831-4869	Mains	99	50-75
ee.	333-0001-000	782	CC Services	68.5	40
ff.	333-0001-000	3566	Services Installed 2001	60	40
gg.	334-0001-000	812-827	Meters all zones	50	10
hh.	334-0001-000	856-4202	Meters	40,50	10
ii.	334-0001-000	4206-4288	Meters	50	10
jj.	334-0001-000	4291-4691	Meters	50	10
kk.	334-0001-000	31012	1999 Meters	40	10
ll.	335-0001-000	909-916	36 main TM to Dudley-Hydrants	99	50-75
mm.	340-0001-000	1170	CC Office Equip.	10	20-25
nn.	340-0001-000	4668	Conference Room Chair	185.8	5

6. Refer to the response to Item 3(b) of the Commission's October 1, 2003 Order, Schedule of Assets Recorded in the Depreciation Summary.

a. Provide the journal entries that Northern District recorded to reflect the purchase of the assets of the City of Newport Waterworks (Newport).

b. Did Northern District perform an analysis of the asset values and/or an analysis of the projected cash flows to determine if the amount paid Newport was reasonable? If yes, provide copies of the any analysis that was performed.

c. In Case No. 9059,² the Commission determined that, The burden of proof is upon the utility to justify its investment at the price in excess of the net original cost based on economic and quality of service criteria. To meet this burden of proof, the Commission established the criteria a utility must meet in order to recover any investment in excess of the net original cost (plant acquisition adjustment). Provide

² Case No. 9059, An Adjustment of Rates of Delta Natural Gas Company, Inc. (September 11, 1985).

evidence to show that Northern District's proposed purchase of Newport meets the following criteria:

(1) The purchase price was established upon arms-length negotiation.

(2) The initial investment plus the cost of restoring the facilities to required standards will not adversely impact the overall costs and rates of the existing and new customers.

(3) Operational economies can be achieved through the acquisition.

(4) The purchase price of utility and non-utility property can be clearly identified.

(5) The purchase price will result in overall benefits in the financial and service aspects of the utility's operations.

7. Refer to Exhibit A of the Application, Projected Total Debt Service following Issuance of Case No. 2003-00224 Revenue Bonds.

a. According to the schedule the debt service for the calendar year 2003 is \$8,371,108. However, the total of the debt payments listed on the schedule for 2003 is actually \$8,310,566. Which is the correct debt service for the calendar year 2003? If the correct debt service is \$8,371,108, provide a corrected schedule.

b. Explain why the fluctuation between 2004 and 2003 debt service payments for the 2003B bonds is \$174,050.

c. Provide a reconciliation between the expected total debt services for the years 2003 through 2007 listed on this schedule with those listed in Exhibit N of the Application, Schedule 3, Debt Service.

8. Refer to Exhibit N of the Application, Schedule 3, Debt Service.

a. Provide a detailed explanation for the following statement in footnote (a), Represents required deposits during year (accrued basis).

b. Identify any bond ordinance requirement that Northern District earn 20 percent debt service coverage on the outstanding balance on its bond anticipation notes (BANS).

c. Are the 2004 through 2007 interest and principal payments for the BANS actually the debt service payments for the proposed 2003 Bonds, Series C?

9. Refer to the response to Item 4 of the Commission's October 1, 2003 Order and response to Item 8 of the Commission's October 1, 2003 Order, General Ledger, Account 610-1000-026, Water Purchased City of Newport. Explain why purchased water expense from Newport is included in Northern District's test-period operations.

10. Refer to the response to Item 4 of the Commission's October 1, 2003 Order.

a. Provide a copy of the detail list of employee and payroll spreadsheet on a computer disk in Microsoft® Excel 97 format.

b. Was an employee promoted from the position of Data Base Administrator to Computer Specialist on September 1, 2003? If the response is yes,

does Northern District's pro forma salary and wage adjustment reflect the increase in the hourly wage?

c. Was an employee promoted from the position of Payroll Clerk to Payroll Clerk PT on September 1, 2003? If the response is yes, does Northern District's pro forma salary and wage adjustment reflect the increase in the hourly wage?

d. Does Northern District intend to fill the vacant positions identified in (b) and (c) above? If the response is yes, provide the expected hire date and hourly wage(s).

e. Has Northern District filled any of the employee positions that are listed as being terminated during the test period? Identify those positions and provide the current hourly wage, health insurance premium less employee portion, life insurance, and dental insurance.

11. Refer to the response to Item 6(a) of the Commission's October 1, 2003 Order. Does the average monthly health insurance premium of \$93,735 reflect the elimination of the employee portion of the premium?

12. Refer to the response to Item 6(c) of the Commission's October 1, 2003 Order.

a. Provide copies of health insurance billing statements for May 2002, August 2002, and September 2002.

b. Using the September 2003 health insurance invoice, provide for each employee the monthly health insurance premium, the employee contribution, and the net health insurance premium. Also, provide the information in a spreadsheet on a computer disk in Microsoft[®] Excel 97 format.

	Monthly Premium	Employee Contribution	Net Monthly Premium
Employee Name			

13. Refer to the response to Item 7 of the Commission's October 1, 2003 Order.

a. Provide the policy periods for the following insurances: Workers Compensation, automobile, and general liability/ other.

b. Provide copies of all Workers Compensation insurance invoices received during calendar year 2003.

c. Provide copies of all automobile insurance invoices received during calendar year 2003.

d. Provide copies of all general liability/other insurance invoices received during calendar year 2003.

14. Refer to the response to Item 11(c) of the Commission's October 1, 2003 Order.

a. Northern District included service applications/tap-on fees of \$633,153 in its determination that its requested revenue requirement is in compliance with the 1985 General Bond Resolution as amended. Explain why service applications/tap-on fees have been included as a source of income in this determination.

b. Has Northern District included the costs associated with the meter installations as an off-set to the service applications/tap-on fees? If no, provide a detailed explanation as to why the fees have been included but not the off-setting costs.

15. Refer to the response to Item 12(a) of the Commission's October 1, 2003 Order.

a. Has Northern District refinanced any of the bonds used to fund a sub-district? If the response is yes, provide the sub-district title and cite the case approving the refinancing.

b. Explain why the Commission should not roll the surcharges for Sub-Districts A, B, and C into Northern District's general rates.

c. Provide for each surcharge listed below the impact it would have if it were to be rolled into the general rates. Include copies of all workpapers, calculations, and assumptions used in the determinations.

(1) Sub-District A

(2) Sub-District B

(3) Sub-District C

16. Refer to the Response to Item 8 of the Commission's October 1, 2003 Order. For each item listed in the table below, provide a complete description of the engineering service provided and a copy of the supporting invoice.

	Account	Transaction Date	Journal No.	Vendor	Amount
a.	631-3000-022	06/06/02	88,110	Black and Veatch	\$ 1,278.38
b.	631-3000-022	06/06/02	88,112	Black and Veatch	\$ 3,132.66
c.	631-3000-022	07/10/02	90,356	Black and Veatch	\$ 3,210.65
d.	631-3000-022	07/10/02	90,691	Black and Veatch	\$ 570.97
e.	631-3000-022	08/08/02	92,323	Black and Veatch	\$ 2,052.74
f.	631-3000-022	10/02/02	95,181	Black and Veatch	\$ 328.56
g.	631-3000-022	11/08/02	97,594	Black and Veatch	\$ 347.99
h.	631-3000-029	06/06/02	88,111	Black and Veatch	\$ 5,756.76
i.	631-3000-029	07/10/02	90,509	Black and Veatch	\$ 7,936.62
j.	631-3000-029	08/08/02	91,986	Black and Veatch	\$ 4,750.01
k.	631-3000-029	12/05/02	98,816	Black and Veatch	\$ 4,622.37
l.	631-5000-002	09/01/02	93,545	Black and Veatch	\$ 8,768.55

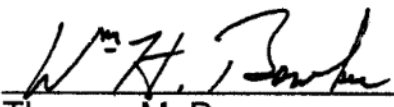
m.	631-5000-002	09/11/02	94,160	Black and Veatch	\$ 15,498.98
n.	631-5000-002	10/03/02	96,339	Black and Veatch	\$ 14,643.08
o.	631-5000-002	11/02/02	96,192	Humpert Wolnitzek Arch.	\$ 7,213.72
p.	631-5000-002	11/20/02	97,596	Black and Veatch	\$ 18,496.94
q.	631-5000-002	12/05/02	98,815	Black and Veatch	\$ 8,081.94
u.	631-8000-079	06/06/02	88,519	Black and Veatch	\$ 2,667.11
r.	631-3000-029	03/01/03	104,204	Quest Engineers, Inc.	\$ 1,400.00
s.	631-3000-029	04/24/03	104,964	Quest Engineers, Inc.	\$ 1,500.00
t.	631-3000-029	05/01/03	106,463	Quest Engineers, Inc.	\$ 1,600.00
u.	631-5000-030	01/06/03	99,781	Voix & Voix, Inc.	\$ 5,136.00
v.	631-5000-030	01/06/03	100,134	Black and Veatch	\$ 7,173.58
w.	631-5000-030	01/24/03	100,965	Woolpert	\$ 4,200.00
x.	631-5000-030	02/10/03	101,655	Black and Veatch	\$ 2,875.78
y.	631-5000-030	05/12/03	107,422	Black and Veatch	\$ 7,565.37
z.	635-6001-027	01/06/03	100,081	Black and Veatch	\$ 4,058.56
aa.	635-6001-027	05/31/03	107,794	Black and Veatch	\$ 5,085.43

17. a. Refer to the Response to Item 8 of the Commission's October 1, 2003 Order. For each expense recorded in Account 633-8000-079, Contractual Services - Legal, provide a complete description of the services provided and a copy of the supporting invoices.

b. For each expense recorded in Account 633-8000-078, Legal Fees - Ops., provide a complete description of the service provided and a copy of the supporting invoice.

18. Refer to the Response to Item 8 of the Commission's October 1, 2003 Order. For each item listed in the table below, provide a complete description of the expenditure and a copy of the supporting invoice.

	Account	Transaction Date	Journal No.	Vendor	Amount
a.	635-6000-017	01/01/02	96,688	Reynolds, Inc.	\$ 12,721.00
b.	635-6001-027	06/27/02	88,494		\$ 24,556.00
c.	635-6005-031	08/01/02	91,985	Aqua Rehab	\$ 50,104.80
d.	635-6005-031	10/03/02	94,507	Aqua Rehab	\$ 198,688.60
e.	635-6005-031	10/23/02	95,737	Aqua Rehab	\$ 177,561.57
f.	635-6005-031	11/22/02	97,406	Aqua Rehab	\$ 47,372.78
g.	635-8000-079	01/31/03	101,644	Pinger Public Relations	\$ 3,251.66
h.	635-6001-027	05/01/03	106,405	Aaron Contractors	\$304,400.00



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Dated: October 28, 2003

cc: Parties of Record