

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

NOTICE BY SANICO, INC., TO)
INCREASE ITS SEWAGE RATES) CASE NO. 8773
AND FOR APPROVAL TO FINANCE)
PLANT ADDITIONS)

O R D E R

IT IS ORDERED that Sanico, Inc., ("Sanico") shall file an original and seven copies of the following information with the Commission, with a copy to the Attorney General's Consumer Protection Division, and a copy to any other intervening parties which are of record in this case by April 28, 1983. Sanico shall furnish the name of the witness who will be available at the public hearing to respond to questions concerning each item of information provided. If neither the requested information nor a motion for an extension of time is filed by the stated date the case will be dismissed.

1. The 1980 Annual Report filed by Sanico reflects that adjustments of (\$39,732) and \$19,643 were made to retained earnings in 1980. Provide a detailed narrative explanation for these adjustments. Also, provide the basis complete with supporting computations and any assumptions made in calculating the adjustments.

2. Exhibit No. 2, Schedule No. 2, line 10 from the application reflects that no interest expense was charged to

operations in calendar year 1981. However, the 1981 Annual report filed by Sanico reflects debt from associated companies of \$14,254 and other long term debt of \$4,894.

- a) Provide a detailed narrative explanation for the absence of interest expense on the operating statement for calendar year 1981.
- b) Provide copies of the loan agreements for the debt listed above.

3. In reference to Exhibit No. 2, Schedule No. 10 "Schedule of Other Long Term Debt" from the application provide copies of the loan agreements with the lenders indicated. Also, provide the basis for the 13 percent interest rate listed in the schedule.

4. The 1981 Annual Report filed by Sanico includes an amount totaling \$1,008 within the balance sheet identified as "Federal Income Tax Refund Due." Provide a detailed narrative description as to the nature of this refund and copies of any documents filed with the Internal Revenue Service which relate to the refund.

5. The 1981 Annual Report filed by Sanico includes an amount totaling \$1,000 within the balance sheet identified as "Other Deferred Debits." Provide a detailed narrative explanation concerning the components of this amount. Also, provide the basis complete with supporting computations and assumptions used in deriving the amount.

6. In reference to Exhibit No. 2 Schedule No. 2 "Statement of Actual and Adjusted Operating Results" from the application provide a breakdown of the following expenses as

shown in the attached formats. Items under \$50 may be grouped within a common classification.

- a) Outside Service \$3,266 - Format No. 1.
- b) Maintenance Pumping System \$1,038 - Format No. 2.
- c) Maintenance Treatment and Disposal \$510 - Format No. 3.
- d) Treatment and Disposal \$654 - Format No. 4.
- e) Accounting and Billing \$1,313 - Format No. 5.

7. Provide an explanation for the changes (increases or decreases) noted in the following expenses for calendar year 1981 as compared to calendar year 1980.

- a) An increase of \$804 in fuel and power for pumping (75%).¹
- b) An increase of \$644 in treatment and disposal (100%).
- c) An increase of \$1,313 in billing and accounting (100%).
- d) A decrease of \$7,349 in administrative and general salaries (86%).
- e) An increase of \$3,266 in outside services (100%).
- f) An increase of \$136 in transportation (100%).
- g) A decrease of \$1,089 in maintenance fees (41%).
- h) A decrease of \$942 in maintenance of collection system (95%).
- i) A decrease of \$1,514 in maintenance - treatment and disposal (75%).
- j) A decrease of \$217 in miscellaneous (100%).
- k) A decrease of \$336 in chemicals (100%).

¹ Numbers in parentheses indicate percentage change from 1980.

8. In reference to Exhibit No. 1, Schedule No. 3 "Allocation of Rent Expense" provide a description of the items(s) or the facilities provided for the total listed of \$443. Also, indicate the amount associated with each item or facility listed.

9. In reference to Exhibit No. 2, Schedule No. 7 "Adjustment to Administrative and General Expenses" from the application provide the basis for the proposed presidents salary of \$2,000 and the proposed secretary's salary of \$2,000. Include compensation rates, number of weekly hours worked, and descriptions of duties performed that were used in deriving the proposed adjustment.

10. Provide copies of property tax bills which were charged to expense in calendar year 1981.

11. Exhibit No. 2, Schedule No 4 "Summary of Electric Bills" reflects that Sanico receives electric service from 3 meters. Provide a description of the equipment and facilities served by each of these meters.

12. Provide a copy of the contract between Sanico and the City of Maysville concerning the treatment of sewage.

13. Provide a copy of the document from the City of Maysville which reflects the connection fee of \$29,321 listed on page no. 10 of the testimony filed by Mr. M.D. Coleman.

14. In reference to Exhibit No. 2, Schedule No. 8 "Depreciation on 1981 and Proposed 1983 Additions." Provide the basis for using 10 years to depreciate the cost of the proposed

pumps and the basis for using 5 years to amortize the cost of the electrical hook-up for the installation of the pumps.

15. Provide the following information in reference to Exhibit No. 2, Schedule No. 9 "Calculation of Amortization Expense."

- a) Was any of the amount listed of \$7,862 and identified as "Extraordinary Retirement" recovered previously through contributions in aid of construction?
- b) The basis for the following proposed amortization periods.

Rate Case Expense (8083)	3 years
Rate Case Expense (8773)	3 years
Extraordinary Retirement	5 years
Extraordinary Maintenance	5 years

Provide a detailed breakdown of the extraordinary maintenance of \$4,978 which is proposed to be amortized in Exhibit No. 2, Schedule No. 9. The breakdown should follow attached Format No. 6 and items under \$50 may be grouped within a common classification.

17. Provide a detailed breakdown for rate case expense of \$7,766 listed in Exhibit No. 2, Schedule 9. The breakdown should include a detailed listing of the services provided for accounting, legal, engineering and consulting, and the hourly rate charged by each party providing the services.

18. Provide the name and address of each of the officers of Sanico along with his or her personal mailing address. If, during the course of these proceedings, any changes occur in the offices, provide an update to this request.

19. Has Sanico investigated the possibility of merger or acquisition of Sanico's sewer operations with those of another entity?

If so, provide details.

Done at Frankfort, Kentucky, this 5th day of April, 1983.

PUBLIC SERVICE COMMISSION

Katherine Randall
For the Commission

ATTEST:

Secretary

Format No. 1

Sanico, Inc.

Case No. 8773

Outside Services

For the 12 Months ended December 31, 1981

<u>Date of Invoice</u>	<u>Vendor</u>	<u>Reference (Check No., etc.)</u>	<u>Total Invoice</u>	<u>Materials</u>	<u>Labor</u>	<u>Other</u>	<u>Description</u>
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Formgt No. 2

Sanico, Inc.

Case No. 8773

Maintenance - Pumping System

For the 12 Months ended December 31, 1981

<u>Date of Invoice</u>	<u>Vendor</u>	<u>Reference (Check No., etc.)</u>	<u>Total Invoice</u>	<u>Materials</u>	<u>Labor</u>	<u>Other</u>	<u>Description</u>
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Format No. 3

Sanico, Inc.

Case No. 8773

Maintenance - Treatment & Disposal

For the 12 Months ended December 31, 1981

<u>Date of Invoice</u>	<u>Vendor</u>	<u>Reference (Check No., etc.)</u>	<u>Total Invoice</u>	<u>Materials</u>	<u>Labor</u>	<u>Other</u>	<u>Description</u>
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Format No. 4

Sanico, Inc.

Case No. 8773

Treatment & Disposal

For the 12 Months ended December 31, 1981

<u>Date of Invoice</u>	<u>Vendor</u>	<u>Reference (Check No., etc.)</u>	<u>Total Invoice</u>	<u>Materials</u>	<u>Labor</u>	<u>Other</u>	<u>Description</u>
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Format No. 5

Sanico, Inc.

Case No. 8773

Accounting & Billing

For the 12 Months ended December 31, 1981

<u>Date of Invoice</u>	<u>Vendor</u>	<u>Reference (Check No., etc.)</u>	<u>Total Invoice</u>	<u>Materials</u>	<u>Labor</u>	<u>Other</u>	<u>Description</u>
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Format No. 6

Sanlco, Inc.

Case No. 8773

Extraordinary Maintenance

For the 12 Months ended December 31, 1981

<u>Date of Invoice</u>	<u>Vendor</u>	<u>Reference</u> (<u>Check No., etc.</u>)	<u>Total</u> <u>Invoice</u>	<u>Materials</u>	<u>Labor</u>	<u>Other</u>	<u>Description</u>
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