

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WATER SERVICE)
CORPORATION OF KENTUCKY FOR AN) CASE NO. 2010-00476
ADJUSTMENT OF RATES)

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on July 14, 2011 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on July 14, 2011 in this proceeding;
- A written list of the exhibits introduced at the evidentiary hearing conducted on July 14, 2011 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on July 14, 2011.

A copy of this Notice, the certification of the digital video record, exhibit list, and hearing log have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at http://psc.ky.gov/av_broadcast/2010-00476/2010-00476_14Jul11_Inter.asx. Parties wishing an annotated digital video

recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

The exhibits introduced at the evidentiary hearing may be downloaded at <http://psc.ky.gov/pscscf/2010%20cases/2010-00476/>.

Done at Frankfort, Kentucky, this 25th day of July 2011.



Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KENTUCKY 40601

Sue Ellen Morris
Hickman County Courthouse
110 East Clay Street, Suite D
Clinton, KENTUCKY 42031

Honorable David Edward Spenard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204

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APPLICATION OF WATER SERVICE)
CORPORATION OF KENTUCKY FOR AN) CASE NO. 2010-00476
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CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on July 14, 2011;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the hearing;
4. All Exhibits introduced at the hearing of July 14, 2011 are attached to this Certificate, as well as the "Exhibit List", which correctly lists all Exhibits introduced at the hearing of July 14, 2011.
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of July 14, 2011 and the time at which each occurred.

Given this 25th day of July, 2011.


Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013



Case History Log Report

Case Number: 2010-00476_14Jul11

Case Title: Water Service of Kentucky

Case Type: General Rates

Department:

Plaintiff:

Prosecution:

Defendant:

Defense:

Date: 7/14/2011

Location: Default Location

Judge: David Armstrong, Jim Gardner, Charles Borders

Clerk: Kathy Gillum

Bailiff:

Event Time	Log Event	
10:06:13 AM	Case Started	
10:06:45 AM	Preliminary Remarks	
10:07:38 AM	Introductions	
	Note: Kathy Gillum	Jack Hughes, representing WSKY, Sue Ellen Morris, representing Intervenors, David Spenard, OAG, Joe Newburg (Intern-OAG), Rajah Pauley (Intern-OAG) Public Notice has been given.
10:09:13 AM	Housekeeping Issues Discussed	
	Note: Kathy Gillum	Call for outstanding Motions. Mr. Wuetcher states that there are 3 minor Motions that do not need to be addressed at hearing regarding outstanding confidentiality petitions. Mr. Wuetcher states that the staff will do proposed Orders addressing the issues within the next few days. Chairman Armstrong states that there have been 2 public hearings on this matter.
10:10:49 AM	Camera Lock Activated (Camera: 8)	
10:10:47 AM	Rick Nelson	
	Note: Kathy Gillum	Representative of Middlesboro and the surrounding areas. Rick Nelson states that he requests a denial of a rate increase.
10:10:35 AM	Public Comments	
	Note: Kathy Gillum	Chairman Armstrong introduced Representative Rick Nelson to open public comments
10:20:15 AM	Camera Lock Mode Deactivated	
10:20:15 AM	Normal Mode Activated	
10:20:15 AM	Camera Lock Deactivated	
10:13:27 AM	County Judge Exec, Greg Pruitt	
	Note: Kathy Gillum	Hickman County Judge Executive, Greg Pruitt makes public comment. Mr. Pruitt states that Hickman County has a large population over the age of 65. Mr. Pruitt states that industry has moved from the area and amounted to 200 jobs being lost. Mr. Pruitt makes statement regarding the expensive software package used for billing. States that a small church (10 people) in the area got a bill for over \$1,000.00 last year although no leaks were found. Requests denial of rate increase.

10:20:23 AM	Mayor Kelly Note: Kathy Gillum	Mayor Kelly makes public comment. Mayor Kelly states that Bell County unemployment rate is over 13%. Mayor Kelly states that the median income is \$27,000.00. Mayor Kelly states that the county has been devastated by flooding recently. Mayor Kelly states that the people of Middlesboro are willing to take it over and run it. Mayor Kelly requests denial of rate increase.
10:25:57 AM	Chairman Armstrong Note: Kathy Gillum	Calls for additional public comment.
10:26:18 AM	Witness, Patrick Baryenbruch (WSKY) Note: Kathy Gillum	Witness called to testify by Jack Hughes
10:26:42 AM	Examination by Jack Hughes (WSKY) Note: Kathy Gillum	Qualification of witness by Jack Hughes. Witness adopts pre-filed testimony.
10:27:35 AM	Examination by David Spenard (OAG) Note: Kathy Gillum	Questions regarding WSKY's burden relating to indirect costs allocation.
10:28:16 AM	Jack Hughes (WSKY) Note: Kathy Gillum	States that question is a legal issue.
10:28:33 AM	Chairman Armstrong Note: Kathy Gillum	Chairman asks witness if he knows the answer.
10:28:44 AM	Witness Patrick Baryenbruch (WSKY) Note: Kathy Gillum	Mr. Baryenbruch states that he does not know the answer to the question.
10:28:56 AM	Examination by David Spenard (OAG) Note: Kathy Gillum	continues Questions regarding Response to AG's Data Request No. 21. Questions regarding pre-filed testimony, last question, page 2. Questions regarding preliminary inquiry if whether the utility needs the service. (Witness states that Page 20 of witness's report describes the types of services.) Questions regarding whether a comparison study was conducted. Witness states that he uses FERC Forms. Questions referencing Ky-American case.
10:41:49 AM	David Spenard presents document Note: Kathy Gillum	David Spenard presents document to witness' counsel, and then to witness. (Order dated December 14, 2010.)
10:42:49 AM	Witness Patrick Baryenbruch (WSKY) Note: Kathy Gillum	Witness reads into the record, statements from the Ky-American Order.
10:43:28 AM	Examination by David Spenard (OAG) Note: Kathy Gillum	continues Questions regarding the Management Fee Forecast from the Ky-American Order. Questions regarding FERC Form 60 (Schedule 1, page 5) referencing the comparison group. Questions regarding water utilities in comparison group.
10:48:27 AM	Witness Patrick Baryenbruch (WSKY) Note: Kathy Gillum	Witness explains his cost comparison methods.
10:49:22 AM	Examination by David Spenard (OAG) Note: Kathy Gillum	continues Questions regarding if witness has reviewed other Commission Orders in his study. No further questions.
10:52:22 AM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding comparison study. Questions regarding differences between electric utilities v. water utilities. Witness acknowledges that there are differences in the utilities, but states that the administration is similar in structure. Witness states that he creates benchmarks, not exact. Questions regarding whether the size or number of customers would impact the study. Questions regarding whether utility type is a factor in the study.

11:03:12 AM	Witness Patrick Baryenbruch (WSKY) Note: Kathy Gillum	Witness makes statement regarding previous studies.
11:03:52 AM	Examination by Gerald Wuetcher (PSC) continues Note: Kathy Gillum	Questions regarding whether or not there is a difference if the utility has it's own employees for uses the employees of the service company. Questions regarding outside fees such as legal fees or accounting fees. Questions regarding whether the qualifications such as certification, of Water Service Corporation was taken into account in the study vs. outside services. Questions regarding the size of utilities that the witness has conducted an analysis for. Questions regarding the soft ware system. Questions regarding shared costs.
11:18:47 AM	Questions by Chairman Armstrong Note: Kathy Gillum	Questions regarding uncollectable rate of 4.48%. Witness states that he does not compare uncollectables in his study.
11:20:14 AM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding FERC forms used. Questions regarding A&G Services, and other expenses. Witness states that he did not benchmark all expenses, just A&G services. Witness states that Schedule B provides a breakdown of the costs. Witness states that maintenance expenses are not included in his cost study.
11:28:05 AM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding whether or not the fact that the offices are closed has been taken into consideration in the study.
11:29:59 AM	Re-Direct by Jack Hughes (WSKY) Note: Kathy Gillum	Questions regarding Page 37 of Ky-American Order. Questions to clarify witness' testimony. Case 10-00187 involving Tennessee American Water Company. Questions regarding over-all expenses v. individual expenses. Questions regarding management fees.
11:38:07 AM	Examination by Sue Ellen Morris (Intervenors) Note: Kathy Gillum	Questions regarding economics of purchasing the software system.
11:43:11 AM	Examination by David Spenard (OAG) Note: Kathy Gillum	Questions regarding Page 3 of pre-filed testimony. Questions regarding Project Phoenix.
11:45:48 AM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding pre-filed testimony relating to cost of services.
11:48:22 AM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding outsourcing at WSC level and not at the WSKY level
11:49:26 AM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding standard system used by utilities in Kentucky.
11:52:20 AM	Question by Chairman Armstrong Note: Kathy Gillum	Question regarding cost impact..
11:54:50 AM	Witness Excused (Patrick Baryenbruch)	
11:54:44 AM	Jack Hughes (WSKY) Note: Kathy Gillum	Asks if witness Baryenbruch can be excused due to catching a flight.
11:55:08 AM	Witness Bruce Hass (WSKY) Note: Kathy Gillum	Witness called to testify by Jack Hughes.
11:55:51 AM	Examination by Jack Hughes (WSKY) Note: Kathy Gillum	Qualification of witness by Jack Hughes. Witness adopts pre-filed testimony.

11:56:13 AM	Examination by David Spenard (OAG) Note: Kathy Gillum	Questions regarding page 1 of pre-filed testimony, line 11. Questions regarding WSKY capital budget. Questions regarding March 4th PSC Order, Item 14. Questions regarding 2010 budget and 2011 budget. Questions regarding increase in budget in future years.
12:07:32 PM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding Page 10, question 4 regarding utility complaints.
12:08:22 PM	Data Request (PSC) Note: Kathy Gillum	Mr. Wuetcher asks if witness could provide a list of complaints, the nature of the complaint, and what the utility did to resolve the complaint.
12:08:57 PM	Witness, Bruce Hass (WSKY) Note: Kathy Gillum	Mr. Hass states that the utilities' Director of Customer Care is here today.
12:09:10 PM	Gerald Wuetcher (PSC) Note: Kathy Gillum	Mr. Wuetcher asks if they had the list readily available.
12:09:30 PM	Jack Hughes (WSKY) Note: Kathy Gillum	Mr. Hughes states that the statement refers to the last 12 months, which would be 2010; and asked if Mr. Wuetcher wanted the most current ...?
12:09:40 PM	Gerald Wuetcher (PSC) Note: Kathy Gillum	Mr. Wuetcher asks for the 2010 and following months up to June 30th of this year.
12:10:05 PM	Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding billing issue of Church. Questions regarding meter testing. Questions regarding energy usage policy that applies to its operating companies. Questions regarding review of invoices and allocated costs. Question regarding if there is a written policy at the corporate level for disputes. Questions regarding closing of Middlesboro office. Witness deferred.
12:17:45 PM	Chairman Armstrong Note: Kathy Gillum	Questions regarding "shut-off policy" of the company. Questions regarding financial assistance. Questions regarding uncollectables.
12:20:23 PM	Questions by Commissioner Gardner	
12:20:55 PM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding whether other monies such as coal severance could be used to establish lines, etc. Questions regarding whether or not there is a cost savings with a gravity system. Questions regarding the \$1,000.00 charge of the Church, and an \$800.00 for another lady for a line break as to if any benefits are given by the company.
12:32:30 PM	Examination by Sue Ellen Morris (Intervenors) Note: Kathy Gillum	Questions regarding the Church \$1,000.00 bill. Questions regarding inspection for leakage. Questions regarding an explanation of why the meter showed such a large amount.
12:37:02 PM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding meter testing on site. Questions regarding whether the meter was pulled in March for testing.
12:39:36 PM	Case Recessed	
12:39:30 PM	Witness Excused (Bruce Hass)	
12:39:31 PM	Lunch Break	

1:44:09 PM	Case Started	
1:44:31 PM	Witness Brian Shrake (WSKY) Note: Kathy Gillum	Witness called to testify by Jack Hughes.
1:45:04 PM	Examination by Jack Hughes (WSKY) Note: Kathy Gillum	Qualification of witness by Jack Hughes. Witness adopts pre-filed testimony.
1:45:11 PM	Examination by David Spenard (OAG) Note: Kathy Gillum	Questions regarding Exhibit 11 of the Application. Witness is supplied with Exhibit 11 by his counsel. Questions regarding page 2 relating to operating revenues section. Questions regarding page 7 relating to increased cash flows. Questions regarding page 8. Questions regarding cost allocation for Kentucky.
1:53:22 PM	Data Request (OAG) Note: Kathy Gillum	David Spenard requests the total of combined ERCs for Florida, North Carolina, South Carolina, Louisiana, Nevada and Illinois.
1:53:47 PM	Examination by David Spenard (OAG) Note: Kathy Gillum	continues Questions regarding Exhibit 4 of the Application, Schedule B, page 2. Questions regarding Response to PSC 2nd D.R. Item 14. Questions regarding Accounts on Schedule. Questions regarding page 6. Questions regarding Schedule B, page 2.
2:00:48 PM	Exhibit Introduced OAG 1 Note: Kathy Gillum	David Spenard moved to introduce Water Service Corporation of Kentucky Case No. 2010-00476 PSC DR 2 Item 14 into the record as OAG Exhibit 1. Commission granted.
2:01:12 PM	Exhibit introduced OAG 2 Note: Kathy Gillum	David Spenard moved to introduce OAG DR 1-15 Account 6205 WSC Expenses into the record as OAG Exhibit 2. Commission granted.
2:02:24 PM	Examination by David Spenard (OAG) Note: Kathy Gillum	continues Questions regarding expenses regarding annual Christmas party and Leadership get together. Questions regarding methodology of expenses.
2:09:18 PM	Exhibit introduced OAG 3 Note: Kathy Gillum	David Spenard moved to introduce PSC Order (exerpt) in Case No. 10498 as OAG Exhibit 3. Commission granted.
2:10:59 PM	Examination by David Spenard (OAG) Note: Kathy Gillum	continues Mr. Spenard asks that the Commission take administrative notice of its own records. Mr. Spenard asks the witness to read from Exhibit 3.
2:11:15 PM	Statement by Jack Hughes (WSKY) Note: Kathy Gillum	Mr. Hughes states that it was already in the record, so he did not see benefit of the witness reading it.
2:11:22 PM	Examination by David Spenard (OAG) Note: Kathy Gillum	continues Questions regarding parking and football tickets. Witness is asked if he has familized himself with the Rules for ratemaking.
2:12:40 PM	Exhibit introduced OAG 4 Note: Kathy Gillum	David Spenard moved to introduce OAG DR 1-15 Account 6200 WSC Expenses as OAG Exhibit 4. Commission granted.
2:13:07 PM	Exhibit introduced OAG 5 Note: Kathy Gillum	David Spenard moved to introduce OAG DR 1-15 Account 6205 WSC Expenses as OAG Exhibit 5. Commission granted.
2:20:43 PM	Data Request (OAG) Note: Kathy Gillum	Mr. Spenard asks that the answers to the the following be provided: Was meal charged to Account 6205. Was any portion allocated to Kentucky

2:21:38 PM	Examination by David Spenard (OAG) continues Note: Kathy Gillum	Questions regarding PSC D.R. 3rd Item 14. Questions regarding page 4 of 6 of pre-filed testimony. Questions regarding Response to PSC D.R. 2nd, Item 2.
2:31:10 PM	Exhibit introduced OAG 6 Note: Kathy Gillum	David Spenard moved to introduce Brief (exerpt) in Case No. 2008-00563 as OAG Exhibit 6. Commission granted.
2:31:36 PM	Exhibit introduced OAG 7 Note: Kathy Gillum	David Spenard moved to introduce Brief (exerpt) in Case No. 2008-00563 as OAG Exhibit 7. Commission granted.
2:31:54 PM	Exhibit introduced OAG 8 Note: Kathy Gillum	David Spenard moved to introduce PSC Order (exerpt) in Case 2008-00563 as OAG Exhibit 8. Commission granted.
2:35:12 PM	Examination by David Spenard (OAG) continues Note: Kathy Gillum	Questions regarding Project Phoenix. Questions regarding Response to PSC 2nd D.R. Item 4. Questions regarding ERC Factor.
2:44:40 PM	David Spenard (OAG) Note: Kathy Gillum	As a safe guard measure, David Spenard moved to introduce all Exhibits. Commission granted.
2:45:05 PM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding who the supplier is to the Middlesboro operations. Witness answered Kentucky Utilities. Questions regarding adjustment of expenses if the supplier rate went up or down.
2:48:02 PM	Data Request (PSC) Note: Kathy Gillum	Mr. Wuetcher asked for confirmation that Kentucky Utilities is the supplier of the Middlesboro and Clinton facilities and provide the rate schedule of both systems. Also calculate the adjustment and billing information used to calculate the adjustment. Mr. Wuetcher stated it could be provided electronically. Mr. Hughes asked if annually or monthly. Mr. Wuetcher that the Commission requests it be by Month.
2:52:51 PM	Data Request (PSC) Note: Kathy Gillum	Mr. Wuetcher asks for the Schedule used for uncollectables.
2:53:26 PM	Examination by Gerald Wuetcher (PSC) continues Note: Kathy Gillum	Questions regarding methodology used. Questions regarding Response to question 10A. Questions regarding prior methodology.
2:56:38 PM	Data Request (PSC) Note: Kathy Gillum	Mr. Wuetcher requested that if there is a written opinion from accountant provide that.
2:57:11 PM	Chairman Armstrong Note: Kathy Gillum	Chairman asked about the number of shut offs
2:57:29 PM	Jack Hughes (WSKY) Note: Kathy Gillum	Mr. Hughes asks if the request was for the number of shut offs due to non-payment.
2:57:40 PM	Chairman Armstrong Note: Kathy Gillum	Yes.
2:58:00 PM	Jack Hughes (WSKY) Note: Kathy Gillum	Mr. Hughes states that they can get that information to you .
2:58:17 PM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding Item 11. Mr. Wuetcher asked if sewer revenue can be separated from the water bills.

2:58:59 PM	Data Request (PSC) Note: Kathy Gillum	Mr. Wuetcher asks that separate water and sewer bills be provided. Also provide the total uncollectable rate system wide.
2:59:40 PM	Examination by Gerald Wuetcher (PSC) continues Note: Kathy Gillum	Questions regarding Item 4
3:00:28 PM	Data Request (PSC) Note: Kathy Gillum	Provide a copy of the analysis to the Commission.
3:01:01 PM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding allocation to customer.
3:01:53 PM	Data Request (PSC) Note: Kathy Gillum	Provide calculations of allocation to Kentucky customers.
3:02:08 PM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding customer service issues. Witness deferred to Karen. Questions regarding Item 6 of Data Requests.
3:05:12 PM	Data Request (PSC) Note: Kathy Gillum	Provide any internal reports regarding wages and salaries increases for 2010 and 2011.
3:06:02 PM	Data Requests (PSC) Note: Kathy Gillum	Provide all of the data being referenced in Item #6. Provide the Bureau of Labor Statistics wage surveys. Provide a copy of the publication in which the national Trends & Recommendations are contained.
3:07:39 PM	Data Request by (PSC) Note: Kathy Gillum	Mr. Wuetcher asks witness to provide whether or not the locality where service is provided was taken into consideration for wage and salary.
3:08:37 PM	Examination by Gerald Wuetcher (PSC) continues Note: Kathy Gillum	Questions regarding fire hydrants. Questions regarding a future cost of service study. Questions regarding Response to PSC DR 2nd, Item 12.
3:14:16 PM	Data Request (PSC) Note: Kathy Gillum	Provide the cost savings of closing the Middlesboro facility.
3:15:00 PM	Examination by Gerald Wuetcher (PSC) continues Note: Kathy Gillum	Questions regarding consideration of uniform rates in the near future.
3:16:12 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding position in the company. Questions regarding Kentucky employees involvement in petitioning for rate increase.
3:20:22 PM	Data Request by Commissioner Gardner Note: Kathy Gillum	Provide the date when the service agreement went into effect and who signed it.
3:20:58 PM	Questions by Commissioner Gardner continues Note: Kathy Gillum	Questions regarding how complaints are handled. Witness defers question to Karen.
3:22:50 PM	Data Request by Commissioner Gardner Note: Kathy Gillum	Comm. Gardner asked to be provided with the answer to, "Do they pay a fee to anyone to collect the bills?"
3:23:39 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding the uncollectable methodology. Questions regarding page 2 of testimony
3:26:22 PM	Jack Hughes (WSKY) Note: Kathy Gillum	Item 29 on PSC 1st D.R. signed by Steve Lubertozi
3:26:51 PM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding any changes in employee number.

3:28:06 PM	Data Request by Chairman Armstrong Note: Kathy Gillum	Chairman asks to be provided with the information of whether the Kentucky employees are going to receive pay increases or not.
3:29:15 PM	Witness Excused (Shrake)	
3:29:30 PM	Witness, Steven Lubertozi (WSKY) Note: Kathy Gillum	Witness called to testify by Jack Hughes.
3:29:57 PM	Examination by Jack Hughes (WSKY) Note: Kathy Gillum	Qualifications of witness by Jack Hughes. Witness adopts pre-filed testimony.
3:30:59 PM	Statement by Steven Lubertozi (WSKY) Note: Kathy Gillum	Answering public comments. Clarification of Brian Shrake's employer. Mr. Shrake is an employee of Water Service Corporation.
3:32:54 PM	Examination by David Spenard (OAG) Note: Kathy Gillum	Questions regarding page 1 of the pre-filed testimony. Questions regarding Response to PSC D.R Item 29. Questions regarding page 5 of the agreement. Questions regarding Response to PSC D.R. Item 15. Questions regarding current Directors. Questions regarding OAG 1st D.R. Item 5. Questions regarding allocation of expenses to subsidiary or shareholders.
3:45:57 PM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Is there a written policy or procedure to help determine the allocation of expenses. Witness answered that it was done on a case by case basis. No written policy. Questions regarding Project Phoenix. Questions regarding software expenses. Questions regarding cash disbursements. Response to Item No. 9 of the 1st D.R. Witness states that the system is not set up at present for that type of information. Witness states that if asked, they probably could put one together.
3:59:03 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Question regarding when witness served as officer of WSKY. Witness answered the question: CRO and CFO. Questions regarding the monthly call regarding the allocations, and the participants to the call. Witness answered that the participants are the Finance Team (witness went on to name the finance team).
4:06:04 PM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding Project Phoenix and the benefit to Kentucky customers. Questions regarding closure of Middlesboro facility. Questions regarding opinion of witness about unloading Kentucky facility.
4:09:28 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding prior rate case in relation to call center closure
4:10:14 PM	Re-Direct by Jack Hughes (WSKY) Note: Kathy Gillum	Questions regarding return on equity. Questions regarding Project Phoenix. Questions as to how many employees it would take in Clinton and Middlesboro to complete the work that is being performed by WSKY. Questions regarding expense if WSKY was not using Project Phoenix.
4:18:50 PM	Examination by Sue Ellen Morris (Intervenor) Note: Kathy Gillum	Questions regarding positive cash flow. Questions regarding cost of using Kentucky employees.
4:22:09 PM	Examination by David Spenard (OAG) Note: Kathy Gillum	Questions regarding calculations being an educated guess

4:23:49 PM	Data Request (PSC) Note: Kathy Gillum	Provide order or citations (or links) to regulatory proceedings being referred to.
4:24:37 PM	Data Request (PSC) Note: Kathy Gillum	Provide a breakdown of Pro Forma business expense. Provide rate case expense up to the most current within the time period that we have and supporting invoices.
4:26:31 PM	Chairman Armstrong	
4:27:48 PM	Private Mode On	
4:28:11 PM	Public Mode On	
4:28:50 PM	Witness Karen Sasic (WSKY)	
4:29:28 PM	Questions by Chairman Armstrong Note: Kathy Gillum	Chairman Armstrong asked procedure for shut offs.
4:27:49 PM	Case Note Entry Note: Kathy Gillum	The private button was engaged through malfunction or error. No private session of this hearing took place.
4:35:04 PM	Questions by Commissioner Borders Note: Kathy Gillum	Questions regarding payment arrangements by customers. Questions regarding water breaks.
4:38:31 PM	Questions by Commissioner Gardner Note: Kathy Gillum	Questions regarding how complaints are handled. Questions regarding payment at Clinton and Middlesboro City Hall.
4:41:39 PM	Examination by Gerald Wuetcher (PSC) Note: Kathy Gillum	Questions regarding whether or not the Water Service have conducted studies regarding response time for installation of services. Witness stated that they have not had studies, but do have targets.
4:43:06 PM	Data Request (PSC) Note: Kathy Gillum	Provide the Performance Monthly Report (on time service order completion)
4:43:44 PM	Data Request (PSC) Note: Kathy Gillum	Provide whether or not there has been a change in the number of disconnects.
4:44:13 PM	Witness Excused (Sasic) Note: Kathy Gillum	Witness excused by Chairman Armstrong.
4:44:25 PM	Jack Hughes (WSKY) Note: Kathy Gillum	Mr. Hughes states that 14 days from today was agreed upon in a previous phone call.
4:45:04 PM	Chairman Armstrong Note: Kathy Gillum	Chairman Armstrong asked parties if a time period for briefs had been agreed upon. Mr. Wuetcher explained that Briefs are to be submitted by August 15th per Procedural Order Parties agreed. Hearing was adjourned.
4:46:51 PM	Case Recessed	
4:49:36 PM	Case Stopped	
4:49:36 PM	Case Stopped	



Case Title: Water Service of Kentucky

Department:

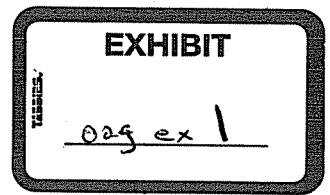
Plaintiff:

Prosecution:

Defendant:

Defense:

Name	Description
OAG Exhibit 1	Water Service Corporation of Kentucky Case No. 2010-00476 PSC DR 2 Item 14
OAG Exhibit 2	OAG DR 1-15 Account 6205 WSC Expenses
OAG Exhibit 3	PSC Order (exerpt) in Case No. 10498
OAG Exhibit 4	OAG DR 1-15 Account 6200 WSC Expenses
OAG Exhibit 5	OAG DR 1-15 Account 6205 WSC Expenses
OAG Exhibit 6	Brief (exerpt) in Case No. 2008-00563
OAG Exhibit 7	Brief (exerpt) in Case No. 2008-00563
OAG Exhibit 8	PSC Order (exerpt) in Case 2008-00563



**Water Service Corporation of
Kentucky
Case No. 2010-00476
PSC DR 2 Item 14**

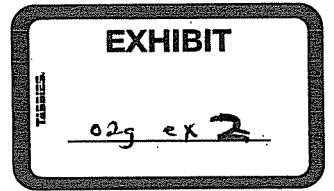
Water Service Corporation of Kentucky

Case No. 2010-00476

FSC DR 2 Item 14b

Allocated expenses by Month

Account	October	November	December	January	February	March	April	May	June	July	August	September	Total
5965 OFFICE MAINTENANCE	123.98	31.52	76.53	117.44	44.05	95.72	114.57	142.35	68.95	8.21	22.03	223.86	1,069.21
5970 OFFICE CLEANING	61.73	61.76	65.61	65.50	65.63	65.10	64.98	64.99	64.98	65.01	65.52	64.97	775.78
5980 OTHER OFFICE UT						1.10						1.10	2.20
6010 AUDIT FEES	(1,148.00)	428.62	1,878.67	582.58	583.71	579.04	577.95	2,075.88	525.43	768.37	715.16	709.17	8,276.58
6015 EMPLOY FINDER F	221.25	197.82	522.05	178.75	179.09	166.69	210.16	210.22	100.71	100.75	101.54	133.52	2,322.55
6025 LEGAL FEES		98.54	310.44	213.04	121.51	133.87	297.95	412.84	666.25	80.30	34.95	171.57	2,541.26
6035 PAYROLL SERVICE		339.70	369.53	296.65	304.22	(1.58)	249.13	158.53	139.12	139.77	384.44	187.23	2,921.63
6040 TAX RETURN REVI		570.24	181.01	177.52	177.86	176.45	176.11	176.15	176.11	176.18	177.57	176.08	2,127.82
6045 TEMP EMPLOY - C		27.60	22.33	7.85	481.63	628.74	529.40	620.30	269.60	207.51	431.60	284.28	4,271.96
6050 OTHER OUTSIDE S		278.94	840.91	1,444.76	1,492.25	1,607.11	704.70	927.92	470.59	525.02	392.24	343.53	7,969.48
6090 RENT		1,450.00	1,450.00	1,450.00	3,350.00	3,200.00	2,665.47	2,100.00	(400.00)	640.89	640.99	640.18	14,522.06
6110 SALARIES-ACCTG/		3,167.08	2,722.45	2,954.88	2,913.26	2,762.89	2,694.39	2,525.34	2,850.03	2,848.80	2,866.45	2,809.18	33,780.22
6120 SALARIES-OFFICE		3,035.06	3,036.43	11,902.86	2,809.18	1,583.28	2,900.91	2,420.12	2,757.62	2,758.65	2,780.27	2,757.01	41,790.08
6125 SALARIES-HR		386.96	387.13	411.25	410.60	411.39	408.11	509.36	389.32	389.46	392.51	389.23	5,050.02
6130 SALARIES-MIS		654.17	663.87	715.30	691.94	691.94	718.55	686.80	638.51	639.08	611.62	620.27	8,070.19
6135 SALARIES-LEADER		3,297.23	3,139.92	3,367.99	3,004.61	2,704.66	2,764.38	2,735.51	2,823.34	4,413.68	4,450.52	4,787.49	40,112.23
6140 SALARIES-REGULA		973.29	959.63	1,019.79	917.29	386.75	556.07	1,048.89	363.41	556.30	560.66	555.97	7,936.83
6145 SALARIES-CUSTOM			3,568.92	2,825.55	51.54	2,839.97	2,160.73	3,236.37	2,181.14	2,191.25	2,242.13	2,160.93	23,458.53
6146 SALARIES-BILLIN					746.15	1,405.00	801.63	827.00	825.22	818.63	709.40	708.84	6,841.87
6147 SALARIES-CORP S					163.91	162.59	162.59	169.64	169.60	169.66	171.00	169.56	1,371.82
6150 SALARIES-OPERAT		552.99	571.23	1,091.17	1,155.77	885.08	644.48	(722.08)	587.69	703.60	61.17	61.06	6,894.80
6155 SALARIES-OPERAT		839.69	885.53	1,113.93	1,758.85	703.84	368.41	(785.67)	346.13	29.78		(12.41)	(1,508.88)
6165 CAPITALIZED TIM		97.10	93.44	67.93	(1,409.22)	1,387.93	(2,069.49)	62.23	78.35	73.33	73.33	48.78	1,870.58
6185 TRAVEL LODGING		14.16	79.68	235.08	37.20	99.65	404.03	37.83	83.94	17.82	64.73	26.59	961.33
6190 TRAVEL AIRFARE		15.09	27.62	65.74	7.36	46.81	8.69	6.81	6.86	18.83	15.40	9.96	229.17
6195 TRAVEL TRANSPOR		11.57	31.68	115.28	13.13	216.17	40.47	42.98	26.01	27.50	52.39	26.84	609.21
6200 TRAVEL MEALS		1.73	73.24			5.70	156.43						237.10
6205 TRAVEL ENTERTAI			0.42										0.42
6207 TRAVEL OTHER		1,864.42	2,068.05	1,773.66	2,036.86	1,615.37	2,402.97	2,119.13	2,393.46	1,960.78	2,092.47	1,902.03	24,269.19
6215 FUEL		2,092.50	2,971.43	6,666.94	4,845.15	209.23	236.98	2,265.55	116.47	707.56	698.16	988.60	21,884.36
6220 AUTO REPAIR/TIR					(1.94)	(0.13)		1.05		35.91	(1.15)		33.74
6225 AUTO LICENSES										6.19	3.12	3.09	12.40
6355 DEFERRED MAINT					4.64		(4.60)			5.05		4.14	12.98
6360 COMMUNICATION E													13.63
6385 UNIFORMS													341.57
6390 WEATHER/HURRICA													1,830.58
6580 DEPREC-OFFICE S		145.63	145.74	154.12	154.40	153.65	27.74	39.87	13.28	75.39	83.57	101.72	341.57
6585 DEPREC-OFFICE F		68.57	68.64	72.77	72.69	72.83	72.47	72.50	75.51	91.56	90.52	89.88	920.32
6610 DEPREC-COMMUNIC		18.99	19.00	20.15	20.13	26.05	25.99	26.04	62.49	84.38	58.68	808.97	1,203.07
6905 DEPREC-AUTO TRA		(6,838.16)	(6,838.06)	19,083.59	1,268.49	1,268.56	1,268.22	1,416.51	1,416.49	1,416.50	1,416.82	1,416.49	17,563.74
6920 DEPREC-COMPUTER		6,577.47	6,986.58	8,013.97	7,344.74	7,173.55	7,102.07	7,129.42	7,080.12	7,094.83	7,140.21	7,095.90	86,070.08
7510 FICA EXPENSE		3,644.58	3,570.69	4,708.41	3,661.86	3,403.81	3,194.96	2,844.07	4,316.06	2,958.55	3,554.61	3,218.11	44,786.00
7515 FEDERAL UNEMPLO		2.12	1.19	122.39	365.05	225.25	43.70	8.23	17.17	26.65	8.33	5.21	820.08
7520 STATE UNEMPLOYM		17.67	15.00	583.97	1,804.69	1,345.02	90.70	60.74	97.46	56.21	15.74	10.76	4,550.09
7535 FRANCHISE TAX		0.56	58.69	121.44	8.76	104.39	104.39	4.07	146.70	42.40	137.15	146.68	413.02
7550 PROPERTY/OTHER		150.80	(630.24)	26.42	833.36	948.68	47,243.69		44,103.22				(457.43)
7555 REAL ESTATE TAX													1,782.04
7710 INTEREST EXPENSE													190,946.87
Interest on Debt													



OAG DR 1-15 Account 6205
WSC Expenses

CHECK # 5405 DATE 2/23/10
NAME TV TIME 9:44PM

-- BAR : WIL T --

ITEMS ORDERED	AMOUNT
1 CRAB FONDUE	10.00
1 POPCORN SHRIMP	11.00
1 MINI BURGERS	7.00
1 SHRIMP COCKTAIL	10.00
2 FRENCH-TINI	17.00
1 GILBEYS GIN	6.50
2 CPTN MORGAN	15.00
2 KETTLE ONE	
2 Rocks	17.00
3 GILBEYS VODKA	21.00
1 GL J LOHR CAB	10.00
4 GL SYCAMORE CHD	28.00
6 MILLER LITE	30.00

S-FOOD 38.00
S-BAR 144.50
F&B TAX 1 4.18

TOTAL DUE 186.68

OF GUESTS 0

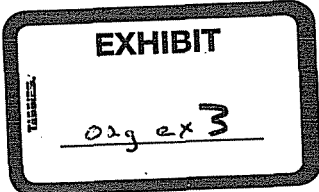
TIP: _____ 30.00

TOTAL: _____ 216.68

PRINT NAME: _____

SIGNATURE: _____

ROOM #: _____



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF COLUMBIA GAS
OF KENTUCKY, INC.

) CASE NO.
) 10498

O R D E R

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Parking Fees for Ohio State Football Games

It is determined that a small portion of the parking fees paid for parking at Ohio State football games for the chairman of the board were allocated to Columbia. While the amount in question is but \$2.31, Columbia is advised that its ratepayers should not have to pay for costs such as this or other forms of entertainment which are not required to furnish utility services and that such expenditures will not be allowed for rate-making purposes.

Lobbying Expenses

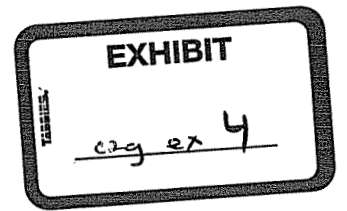
The AG/LFUCG argued that it is inappropriate for ratepayers to pay for activities related to lobbying.⁵⁴ Columbia contends that lobbying is a reasonable and necessary business expense involving not only state but federal programs.⁵⁵ Columbia further contends that its lobbying efforts are largely constructive in nature and that it should not be assumed that Columbia's lobbying efforts are for the purpose of gaining an advantage over its ratepayers.⁵⁶

The Commission takes the position that lobbying expenses should not be allowed for rate-making. While the Commission does not necessarily believe that Columbia's lobbying efforts are to gain advantage over its ratepayers, it is true that Columbia's

⁵⁴ Direct Testimony of Thomas C. DeWard, filed June 9, 1989, Schedule 12.

⁵⁵ Brief of Columbia, July 31, 1989, page 30.

⁵⁶ Id. at 30.



OAG DR 1-15 Account 6200
WSC Expenses

3016106

Search 71339

UTILITIES, INC.

PAGE 2 of 2

BUSINESS EXPENSE REPORT

Doc

820222

NAME: John D. Williams

FROM: 7/14/09

TO: 7/22/09

Date Meals Other

Paid To

Description of Expense or Activity, Persons Involved

Date	Meals	Other	Paid To	Description of Expense or Activity, Persons Involved
		\$0.00		Balance of Page 1
7/18		1655.60	115 Airways	Toll charges to Seattle WA to attend NARLIC Summit Committee Meetings
7/18		1242.76	Wash Seattle	Air fare Round trip
7/18	38.84	150.00	Taxi	Suit Night conference hotel Dispart to hotel taxi
7/21	52.12		Iron Grill	Dinner in Seattle
7/20	132.45		8000 Suit Giv	Lunch John + Sharon (Garcia)
	223.41	914.36	Dehlla lounge	Dinner John Mt, Sharon (Garcia) (Note: Hotel 7/19 - 7/21) (charged to laptop/air me)
		\$ 1,171.97		Total for Seattle NARLIC Summit Committee Meetings
TOTALS	\$0.00	\$0.00		
			Grand Total	\$0.00

DEC 15 2009

Signature

John D. Williams

[Signature]

Date: 12/7/09

RECEIVED
DEC 14 2009

Dahlia lounge
2001 4th Ave,
Seattle, WA
206.862.4142

Bar & Grill

2000 SIXTH AVENUE
SEATTLE, WA 98121
206-441-8300

Server: John
08:53 PM
Table 44/1

DOB: 07/20/2009
07/20/2009
4/40031

AmEx 3145771
Card #XXXXXXXXXX
Magnetic card present: WILLIAMS JD
Approval: 511540

Amount: 109.45
+ Tip: 23.00
= Total: 132.45

EMP: PHAR G ANEX
Date 07/21/09 Time 13:10
Table 8
315839

Card Holder WILLIAMS/JD
Card Number #####
Auth-Code: 540337 Ctrl: 29833

Amount... 43.12
TAX... 9.00
Total... 52.12

X _____

Thank you for dining
with us. Please come again!

Guest Copy

John Williams
Cardmember agrees to pay total in
accordance with agreement governing
use of such card.

*** Customer Copy ***



Prepared For
JOHN D WILLIAMS

Account Number

Closing Date
08/04/09

Page 3 of 6

002 003 00384 ROSMIRRA 0 3 B 0 92301 923

Due in Full continued

** Foreign Currency conversion rate
to base rate plus 2.7%. See page 2 for details.

Foreign Spending

Amount \$

Date	Description	Amount	Foreign Spending
07/11/09	SHERATON NORTHBROOK NORTHBROOK Arrival Date 07/07/09 Departure Date 07/10/09 00000000 LODGING	526.43	
07/12/09	POUR LA FRANCE DENVER FAST FOOD RESTAURANT FOOD/BEVERAGE 36.04 TIP 8.00	44.04	
07/13/09	LEXIES BAR RENO RESTAURANT FOOD/BEVERAGE 24.00	24.00	
07/13/09	LA FAMIGLIA RISTORANRENO 775-324-1414 TIP 12.00	71.14	
07/16/09	J & M SHOP SHOP 0717CHARLOTTE 704-359-0133	42.89	
07/16/09	CASA BAGARDI C450617CHARLOTTE 704-3594673 FOOD 13.64	13.64	
07/16/09	RT HOME TURF B370078KANSAS CITY 816-2435700 FOOD 16.85	16.85	
07/17/09	WINN-DIXIE #0086 08775299466 8775299466 Grocery/Pharmacy	75.00	
07/17/09	SIENA SPA HOTEL CASIRENO Arrival Date 07/12/09 Departure Date 07/17/09 00000000 LODGING	556.96	
07/18/09	ICON GRILL & BAR 800SEATTLE 2064416330 FOOD/BEVERAGE 32.84 TIP 6.00	38.84	
07/19/09	DAHLIA LOUNGE 650000SEATTLE 2066824142 TIP 3.50	21.38	
07/20/09	WESTIN SEATTLE WESTISEATTLE Arrival Date 07/18/09 Departure Date 07/19/09 00000000 LODGING	242.76	
07/20/09	DAHLIA LOUNGE 650000SEATTLE 2066824142 TIP 23.00	132.45	
07/21/09	SIXTH AVE INN RESTRNSEATTLE 2066746625 FOOD/BEVERAGE 43.12 TIP 9.00	52.12	
07/22/09	VANCOUVER ART GALLERVANCOUVER CHARITABLE ORG Description 0722216RM2202009901	38.34	49.89 **Canadian Dollars
07/22/09	THE ART INSTITUTE OFVANCOUVER BC GOODS/SERVICES	27.26	29.15 **Canadian Dollars

Continued on reverse

30101.06

Batch 71442

Doc 220606

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DEC 14 2009

UTILITIES, INC. BUSINESS EXPENSE REPORT

PAGE 1 of 1

NAME: John D. Williams

FROM: 11/1/09 TO: 11/6/09

Date	Amount		Paid To	Description of Expense or Activity, Persons Involved
	Meals	Other		
11/1		302.50		Personal Auto Tallahassee to Clearwater Florida to serve as faculty at the NARCC Rate School 550 miles @ \$.55 per mile
		1063.43	Shiraton Hotel	5 nites hotel + 1 lunch
11/1	30.39		Colunna Rest	Dinner JAW
11/3	150.71		E.E. Grill	Dinner JW, Sharon Gascon, Carol Kostoff
11/4	95.37		Backwaters	Lunch JW, Sharon G. Carol K
11/6	292.97	1305.93		
		\$1,609.40		total for NARCC Rail School Trip
TOTALS	\$0.00	\$0.00	Grand Total	NR= NO RECEIPT

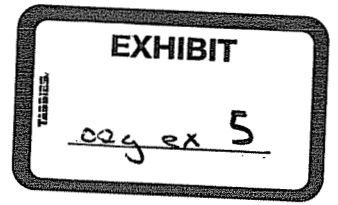
DEC 15 2009

Signature John D. Williams

Date: 12/11/09

DEC 15 2009

OAG DR 1-15 Account 6205
WSC Expenses



UTILITIES, INC.

BUSINESS EXPENSE REPORT

3009974

102107

Page 1 of 9

NAME: Larry Schumacher

FROM: 10.01.09 TO: 12.01.09

Date	Amount		Paid To	Description of Expense or Activity. Persons Involved
	Meals	Other		
10/5/2009		\$52.19	AT&T 5945	Monthly PDA charge for cell 5945✓
10/5/2009		\$158.96	AT&T	Monthly unlimited data-laptop (aircard) 5945✓
11/5/2009		\$52.19	AT&T	Monthly PDA charge for cell 5945✓
11/5/2009		\$158.96	AT&T	Monthly unlimited data-laptop (aircard) 5945✓
10/6/2009		\$69.30	Mileage	To/From IN (126*.55) Regional meeting 5880✓
10/6/2009		\$8.00	Skyway	tolls to/from IN regional meeting 6195✓
11/20/2009		\$150.00	American Airlines	5 upgrades - used for JFJ & JPH 6190✓
11/20/2009	\$50.00		YardHouse	Lunch w/ HS Sgoudvic, JFJ, LNS 6200✓
10/27/2009	\$87.80		Johnny's	ET to discuss staffing and transitions 6200✓
11/19/2009	\$41.62		BlueSushi	Lunch w JRS Re: legal/personnel discussion 6200✓
12/1/2009		\$43.49	AT&T	Monthly PDA charge for cell 5945✓
12/1/2009		\$158.96	AT&T	Monthly unlimited data-laptop (aircard) 5945✓
TOTALS				
	\$179.42	\$852.05	\$1,031.47	

Grand Total

Date: _____

New
4/82

UTILITIES, INC.

BUSINESS EXPENSE REPORT

Page 2 of 9

NAME: Larry Schumacher

FROM: 10.01.09 TO: 12.01.09

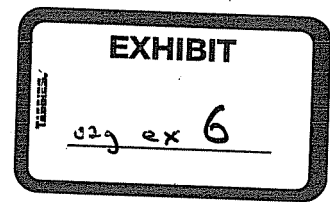
Date	Amount		Paid To	Description of Expense or Activity, Persons Involved
	Meals	Other		
10/14/2009		\$685.20	American Airlines	Air to/from ORD/MCO 6190 ✓
10/14/2009		\$132.00	O'Hare	Parking 6195 ✓
10/14/2009		\$11.00	Mileage	To/From ORD (20* .55) 5280 ✓
10/14/2009		\$0.90	Ipass	Tolls to/from ORD 6195 ✓
10/9/2009			Shulas	Drinks prior to dinner w team
10/9/2009	\$667.69 ✓		Shulas	Dinner for team 6200 ✓
10/10/2009	\$652.95 ✓		Il Mulino	Dinner for team w coupon for discount 6200 ✓
10/10/2009	\$13.00		Swan Hotel	Breakfast 6200 ✓
10/14/2009		\$1,118.12	Swan Hotel	Hotel for conference (Sat - Wed) 6185 ✓
10/9/2009	\$75.37		Il Mulino	Drinks prior to dinner w team + com 6200 ✓
10/10/2009	\$133.16		Splash Grill	Dinner for team 6200 ✓
10/10/2009	\$39.81		Splash Grill	Drinks prior to dinner w team 6200 ✓
10/11/2009	\$60.59		Il Mulino	Drinks w team after dinner 6200 ✓
10/12/2009	\$20.57		Lobby Lounge	LAS & LNS prep of slide deck for my presentation 6200 ✓
10/12/2009	\$146.61		Il Mulino	Drinks/dessert w team after dinner 6200 ✓
10/13/2009	\$29.63 ✓		Cabana Grille	Drinks with team 6200 ✓
10/11/2009	\$20.00 ✓		ESPN Club	Lunch LNS 6200 ✓
				NAWC annual meeting-FL
TOTALS	\$1,859.38	\$1,947.22	\$3,806.60	

Grand Total

Signature _____

Date: _____

New
11/82



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 31 2009

PUBLIC SERVICE COMMISSION

In the Matter of:

Application of Kentucky Water Service Corporation of Kentucky For an Adjustment of Rates) Case No. 2008-00563

BRIEF

I. The Company

Water Service Corporation of Kentucky ("WCK" or the "Company"), is a wholly owned subsidiary of Utilities, Inc. (UI). It currently serves approximately 7,991 water connections. These customers are located in Hickman and Bell Counties. WCK maintains an operations office in both Clinton and Middlesboro. Customer payments, meter readings, and service orders are processed from the Middlesboro office. Administrative functions such as accounting, data processing, and human resources are performed from the Utilities, Inc. office in Northbrook, Illinois and management from its Charlotte, NC regional office.

As explained by Ms. Georgiev in her prefiled testimony, WCK's parent, UI, is unique within the water and sewer industry in many respects. From its inception almost 40 years ago UI has concentrated on the purchase, formation and expansion of smaller water and/or sewer utility systems. Currently, UI has over 90 systems that provide service to approximately 300,000 customers in 15 states. This affiliation with UI has

The General Ledger integrates financial information in real time from throughout UI and helps meet the financial consolidation and reporting needs of the business.

These system upgrades improve the Company's ability to record and retrieve data. Because of this functionality, UI, its customers and regulators should see marked improvement. The system has enhanced record keeping and retrieval functions, making production of financial and regulatory reports easier. In addition, the reports should be more accurate, which benefits customers by improving the management decision making process and allowing the Company to more efficiently deliver reliable information to regulators. The system also reduces manual effort and reliance on spreadsheets, which again improves the reliability of reports. The Capital Projects module allows employees to view and track projects in real-time. Employees should be able to manage projects and costs in a more effective manner, which benefits the Company and customers

JDE was placed in service on December 3, 2007. The total cost of the JDE system as of March 31, 2008 was \$14,544,020. Approximately \$367,498 was allocated to WSCK. (William's prefiled testimony, page 8).

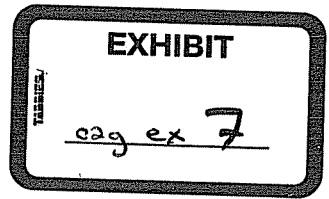
CC&B is a web-based software system. The web-based feature allows for quicker return of information to the user and allows for "quicker fixes" should the system go down involuntarily, or need to go down for routine maintenance. CC&B is composed of the following modules:

Customer Management and Service

This module covers activities including creation and management of customers, accounts and premises. It also manages customer inquiries, creation and management of service orders, starting and stopping service, and other related functions.

Billing

This module covers activities including creation and management of rates/tariffs, bill estimation, bill generation and print, cancel/rebills and 3rd party billing.



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 31 2009

PUBLIC SERVICE COMMISSION

In the Matter of:

Application of Kentucky Water Service Corporation of Kentucky For an Adjustment of Rates) Case No. 2008-00563

BRIEF

I. The Company

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Administrative functions such as accounting, data processing, and human resources are performed from the Utilities, Inc. office in Northbrook, Illinois and management from its Charlotte, NC regional office.

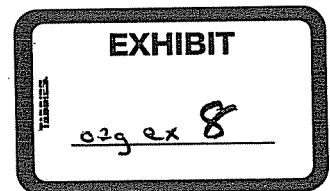
As explained by Ms. Georgiev in her prefiled testimony, WSCK's parent, UI, is unique within the water and sewer industry in many respects. From its inception almost 40 years ago UI has concentrated on the purchase, formation and expansion of smaller water and/or sewer utility systems. Currently, UI has over 90 systems that provide service to approximately 300,000 customers in 15 states. This affiliation with UI has

- More information displayed on one screen for customer service to assist customers. The legacy system required moving from one screen to another.
- Automatic Collections and Severance process configured which reduces error from input. Accidentally disconnecting a customer for non-payment will be hard to do.
- Updates to the system are real time.
 - Completion of field activities
 - Payments and adjustments
 - Customer information
- Customers will have the ability to view account using the internet
 - View billing information
 - Update Account information
 -

CC&B is used on a daily basis to look up customer accounts to answer billing questions. Billing issues are identified and resolved immediately before the customer receives their bill. Mail and walk in payments are posted to the customer's account in real time. Field activity reports are created to turn on/shut off water, check for leaks and re-read meters on a daily basis through CC&B. These activities are generated in real time for a quicker response from the field personnel. All corrections or adjustments to a customer's account is entered into CC&B and, again, posted in real time.

Customer Service personnel use CC&B to look up customer's accounts and review meter reads, payment history, consumption history and mailing addresses. All pertinent information is displayed on one screen which helps Customer Service answer questions quickly. New customers are signed up through CC&B. Customers discontinuing their service are also taken care of through CC&B. Payments are posted in real time to a customers account through CC&B.

CC&B was placed into service on June 2, 2008. The total cost of the CC&B system was \$7,077,652. \$178,715 was allocated to WSCK. (William's prefilled testimony, pages 13-15) The cost of the JDE and CC&B systems was allocated to



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WATER SERVICE)
CORPORATION OF KENTUCKY FOR AN) CASE NO. 2008-00563
ADJUSTMENT OF RATES)

O R D E R

Water Service Corporation of Kentucky ("Water Service") filed an application requesting approval to increase its water rates, to establish several new nonrecurring charges, and to make changes to certain existing nonrecurring charges. Water Service proposes to adjust its water rates to increase its operating revenues from \$1,631,079 to \$2,438,085, an increase of 50.08 percent increase or \$807,006.¹ By this Order, the Commission modifies the proposed tap-on fee, approves the remaining nonrecurring charges, and establishes water rates that will produce annual revenues of \$2,104,261. The increase will impact a customer's monthly bill, using an average of 5,000 gallons, in Middlesboro by \$5.12 (from \$17.58 to \$22.70) and in Clinton by \$8.54 (from \$29.46 to \$38.00).

BACKGROUND

Water Service, a Kentucky corporation, is a utility subject to Commission jurisdiction.² It owns and operates facilities that treat and distribute water to

¹ Application, Exhibit 9, Calculation of Revenue Requirement (filed Mar. 5, 2009).

² KRS 278.010(3)(d).

following persons pre-filed Direct Testimony and testified at the hearing on behalf of Water Service: Pauline M. Ahern, Principal of AUS Consultants; John D. Williams, Director of Governmental Affairs at Utilities; Martin Lashua, Regional Director of Operations at Utilities; and Lena Georgiev, Manager of Regulatory Affairs at Utilities. Following the hearing, all parties submitted written briefs.

The Commission held local public meetings in Middlesboro on August 12, 2009 and Clinton on August 13, 2009. Approximately 40 individuals attended the public meeting in Middlesboro, and over 100 individuals attended the meeting in Clinton. At both locations, community residents spoke respectfully and eloquently as to their concerns about a water rate increase.

ANALYSIS AND DETERMINATION

Test Period

Water Service proposes to use the 12-month period ending June 30, 2008 as the test period to determine the reasonableness of its proposed rates. The Commission finds the use of this test period to be reasonable. In using a historic test period, the Commission gives full consideration to appropriate known and measurable changes.

Rate Base

Water Service proposed a net investment rate base of \$6,139,342.⁸ This net investment rate base is accepted with the following exceptions:

Project Phoenix. In 2006, Utilities began Project Phoenix, an internal and external evaluation of its accounting and billing software and computer systems.⁹ The

⁸ Application, Exhibit 4, Schedule C, Rate Base and Rate of Return.

⁹ Id., Exhibit 5, Prepared Direct Testimony of John D. Williams, at 5.

evaluation culminated in a business case presentation by Deloitte to Utilities in September 2006.¹⁰ After evaluating the potential solutions identified by Deloitte, Utilities selected JD Edwards as the financial system and Oracle's Customer Care and Billing System ("Oracle") as the customer information system.¹¹

On December 3, 2007, Utilities placed the JD Edwards system into service at a total cost of \$14,544,020.¹² Utilities placed the Oracle system into operation on June 2, 2008, at a total cost of \$7,077,652.¹³ Using an allocation factor based upon the equivalent residential connections, Utilities allocated \$367,498¹⁴ of the total cost of the JD Edwards system and \$178,715¹⁵ of the Oracle cost to Water Service. The allocated cost of JD Edwards is included in Utility Plant In Service ("UPIS"), and the Oracle allocation is reported as a separate item in Water Service's pro forma rate base.

Water Service describes JD Edwards as "a web-based software system that allows easy access from multiple locations."¹⁶ According to Water Service, the JD Edwards system includes enhanced tracking and integration components that will improve Utilities' ability to record and retrieve data.¹⁷ Water Service claims that

¹⁰ Id.

¹¹ Id.

¹² Id. at 8.

¹³ Id. at 14.

¹⁴ Id. at 9.

¹⁵ Id. at 14.

¹⁶ Id. at 6.

¹⁷ Id. at 7.