

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE GRAYSON COUNTY)
WATER DISTRICT FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY) CASE NO.
TO CONSTRUCT AND FINANCE A WATER) 2009-00238
IMPROVEMENTS PROJECT PURSUANT TO)
KRS 278.020 AND 278.300)

COMMISSION STAFF'S FIRST INFORMATION REQUEST
TO GRAYSON COUNTY WATER DISTRICT

Grayson County Water District ("Grayson District"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due within 15 days of the date of this information request. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Grayson District shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Grayson District fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. 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 separately provided for total company operations and jurisdictional operations.

1. Provide a narrative explanation of Grayson District's decision to install the 2,500 radio read meters. Include in the explanation all factors leading to Grayson District's decision, including financial, safety, reliability, and operational reasons.

2. According to its 2008 Annual Report,¹ Grayson District is currently serving 6,240 residential and commercial customers. Will Grayson District use the radio read meters to replace the existing meters or will they be used for new service installations only?

a. If Grayson District intends to use the radio read meters to replace existing meters:

(1) If the existing meters are not fully depreciated, explain how Grayson District intends to recover its un-depreciated meter investment.

¹ Annual Report of Grayson County Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2008 ("2008 Annual Report") at 27.

(2) Given that Grayson District is providing water service to 6,240 customers and is proposing to purchase only 2,500 radio read meters, provide Grayson District's schedule for the replacement of all its existing meters with radio read meters, the anticipated total cost of the replacement project, and a detailed financing plan for future replacement of the remaining meters with radio read meters.

b. If the radio read meters are for new services only, explain when or if Grayson District intends to replace all its meters with radio read meters. Include the anticipated time frame for the replacement of all Grayson District's meters, the anticipated total replacement costs, and a detailed financing plan.

3. Refer to the application Exhibit B, the Board of Directors minutes for the January 26, 2009 meeting. According to the statement on page 2, Grayson District is "purchasing an additional 2,500 Itron Radio Read Meters." Identify the number of radio read meters Grayson District has already installed in its system, the dates the meters were installed, the cost of the meter installations, and the manner in which Grayson District financed the radio read meters, and cite the proceeding in which the Commission approved installation of the radio read meters.

4. Provide additional detail of the expected cost of Grayson District's radio read meter replacement program. Include with the total cost a breakdown between labor costs and the cost of materials. Also include the costs of the required annual customer premise meter inspections. Provide all supporting calculations.

5. Has Grayson District performed a cost justification analysis of the proposed radio read meter system?

a. If yes, provide the results of the analysis and all assumptions used.

b. If no, explain whether a cost justification analysis will be performed and, if so, when. If a cost justification analysis will not be performed, explain why an analysis will not be performed.

6. Explain whether Grayson District expects that the radio read meter replacement program will cause Grayson District to increase rates sooner than would be required if the radio read program were not in place. If the need for a rate increase is expedited by the radio read meter program, provide an estimate of the impact upon the need for a rate increase.

7. Provide the total number of meters, by customer classification, that Grayson District plans to replace each year until the replacement program is complete. Include with the response the total number of meters within each customer classification.

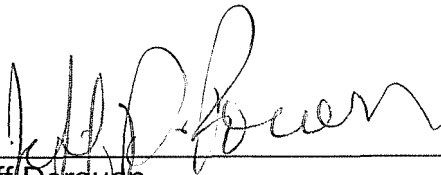
8. Explain whether Grayson District plans to use a competitive bidding process when purchasing the necessary radio read equipment. Include in the explanation a discussion of the bidding process to be used.

9. Provide Grayson's best estimate of the annual cost of meter reading, meter turn-ons and turn-offs, depreciation expense, and any other expenses that will be eliminated with the implementation of its radio read program. Include all labor savings (including employee benefits), mileage or vehicle savings, and other savings expected through elimination of monthly meter readings at the customers' premises. Provide all calculations and workpapers needed to derive the estimated annual cost and documentation to support the estimated depreciation lives.

10. a. If Grayson District encounters a problem with a radio read meter, will the unit be repaired or replaced?

b. If the radio read meter can be repaired, provide a cost estimate of the repair. Include copies of all workpapers, assumptions, and calculations used to derive the estimate.

c. Provide any warranty that the manufacturer, Itron, has on the radio read meters.



Jeff Derduen
Executive Director
Public Service Commission
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DATED: SEP - 2 2009

cc: Parties of Record

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