

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)	

COMMISSION STAFF'S SECOND INFORMATION REQUEST
TO WATER SERVICE CORPORATION OF KENTUCKY

Pursuant to 807 KAR 5:001, Commission Staff requests that Water Service Corporation of Kentucky ("WSKY") file with the Commission no later than April 15, 2011, the original and 10 copies of the following information, 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.

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 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.

WSKY 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 WSKY fails or refuses to furnish all or part of the requested information, WSKY shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

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. At Exhibit 12 of its Application, WSKY states: "Water Service of Kentucky depreciates its water plant at a rate of 2%, its vehicles at 25%, and its computers at 12.50%." In Case No. 2005-00325,¹ WSKY advised the Public Service Commission that "[t]he company has not performed a depreciation study, but has determined appropriate lives for classes of plant accounts, which are attached."² A copy of the useful lives for classes of plant that WSKY provided to the Public Service Commission is appended to this Request.

a. Recalculate accumulated depreciation, depreciation expense, amortization of contributions in aid of construction ("CIAC") and advances in aid of

¹ Case No. 2005-00325, *Application of Water Service Corporation of Kentucky for an Adjustment of Rates* (Ky. PSC Feb. 28, 2007).

² Letter from John N. Hughes, counsel, Water Service Corporation of Kentucky, to Beth O'Donnell, Executive Director, Kentucky Public Service Commission (Nov. 3, 2005).

construction ("AIAC"), and deferred income taxes using the depreciation lives set forth in Exhibit 1.

b. State the effect of the depreciation revisions calculated in response to Item 1(a) on WSKY's pro forma operating expenses and requested revenue requirement.

c. Provide all workpapers, show all calculations, and state all assumptions that WSKY used to respond to Items 1(a) and (b).

2. At page 6 of his Direct Testimony, Brian Shrake discusses pro forma adjustments made to the rate base statement and states that "[g]ross plant in service has been restated to account for an asset that was not booked at the time of acquisition."

a. State whether the restatement for the unbooked asset to which Mr. Shrake refers is shown at Exhibit 9 of the Application as "Inclusion of organizational costs" and listed as \$36,283.

b. If yes,

(1) State the purpose of the organizational costs;

(2) Explain why these costs were not booked at the time of acquisition; and,

(3) Explain why these costs should be included in WSKY's rate base.

3. At page 8 of his Direct Testimony, Steven M. Lubertozi states that Utilities, Inc. placed the JD Edwards Enterprise One ("JDE") financial system into service on December 3, 2007 at a total cost of \$13,995,789 and that 2.63 percent or \$368,089 of the total project cost was allocated to WSKY. Identify by account the costs

associated with the JDE financial system that are included in the pro forma operating expenses listed on page 1 of Schedule B of the Application.

4. Refer to Direct Testimony of Steven M. Lubertozi at 10-11. Utilities, Inc. placed the Oracle's Customer Care and Billing system and customer information system ("Oracle") financial system into service on June 2, 2008 at a total cost of \$7,126,679 and that 2.63 percent or \$188,432 of the total project cost was allocated to WSKY. Identify by account the costs associated with Oracle that are included in the pro forma operating expenses listed on page 1 of Schedule B of the Application.

5. a. State whether WSKY or Utilities, Inc. has since November 9, 2009, performed any studies or analyses of the financial effects on WSKY of Project Phoenix or of the benefits that Project Phoenix provides to WSKY.

b. If the response to Item 5(a) is yes, provide the results of each study or analysis.

c. If the response to Item 5(a) is no, provide detailed documentation to support the benefits that are described at pages 7 through 10 of Mr. Lubertozi's Direct Testimony.

6. Refer to the Application, Exhibit 4, Schedule C, Rate Base and Rate of Return. WSKY states that "[g]ross plant in service has been restated to account for an asset that was not booked at the time of the acquisition." Identify the assets that are now being recorded, state the date on which these assets were placed into service, and explain why these assets were not originally recorded.

7. Refer to the Application, Exhibit 4, w/p[b], "Calculation Of Salary And Benefits."

a. For each listed employee, provide:

(1) His or her name.

(2) His or her position title.

(3) His or her test-period pay rate; pay rate as of April 1, 2011; and the percentage change in these pay rates.

(4) His or her actual (not assumed hours) test-period regular time worked and overtime worked.

(5) A detailed calculation for each pro forma salary listed on the workpaper.

b. Provide the information requested in Item 7(a) in an electronic format that is capable of being viewed and manipulated with the use of Microsoft Excel 1997-2003 computer software.

8. Refer to WSKY's Response to Commission Staff's First Information Request, Item 11(a), w/p [b-3].

a. Describe how each item listed in the column "Total Capitalized Time" was calculated. Show all calculations.

b. The workpaper contains a column titled "Percentage Allocated United." Explain how WSKY determined each expense allocation. Show all calculations used to derive the allocation.

9. Provide for each month during the period January 1, 2007 through December 31, 2010, the number of Water Service Corporation full-time employees and part-time employees employed at WSKY's operations at Clinton, Kentucky on the last day of the month.

10. Provide for each month during the period January 1, 2007 through December 31, 2010, the number of Water Service Corporation full-time employees and

part-time employees employed at WSKY's operations at Middlesboro, Kentucky on the last day of the month.

11. Refer to WSKY's Response to the Commission Staff's First Information request, Item 13.

a. Provide the requested information for the test period for Utilities, Inc.

b. For each debt instrument listed in response to Item 11(a), state the amount of the proceeds of the debt instrument that were allocated or used for WSKY operations at Middlesboro, Kentucky and describe the use(s) of the amount allocated or used.

c. For each debt instrument listed in response to Item 11(a), state the amount of the proceeds of the debt instrument that were allocated or used for WSKY operations at Clinton, Kentucky and describe the use(s) of the amount allocated or used.

12. a. State the date on which WSKY's offices in Middlesboro, Kentucky were permanently closed.

b. Provide all studies and analyses that WSKY conducted regarding the costs and benefits of closing the office in Middlesboro, Kentucky.

c. State the effects of the closing of WSKY's office in Middlesboro on Water Service's test-period operating expenses.

d. Describe the services that were provided from WSKY's office in Middlesboro, Kentucky and the effect of the permanent closing of this office on those services.

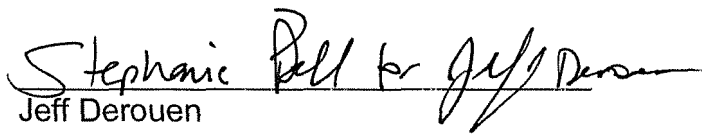
13. Refer to the Application, Exhibit 4, Schedule B, page 1. Describe how each item listed in the Column entitled "Proposed Increase" was calculated. Show the calculations.

14. Refer to the Application, Exhibit 16, Allocation of Expenses. WSKY provided a schedule that listed in detail Water Service Corporation's expenses allocated to WSKY for the 12-month period ended September 30, 2010.

a. Provide a schedule that lists the allocated expenses by month for the test period. For each item listed, identify the expense account list in Exhibit 4, Schedule B, page 1 in which the expense is reported.

b. Provide a schedule of WSKY's direct expenses by month for the test period. For each item listed, identify the expense account in Exhibit 4, Schedule B, page 1 in which the expense is reported.

15. Provide each monthly invoice that Water Service Corporation issued to WSKY for the 12-month period ending September 30, 2010.


Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

DATED: APR 01 2011

cc: Parties of Record

APPENDIX TO COMMISSION STAFF'S SECOND INFORMATION REQUEST
TO WATER SERVICE CORPORATION OF KENTUCKY IN CASE
NO. 2010-00476 DATED **APR 01 2011**

WATER SERVICE CORPORATION OF KENTUCKY
CASE NO. 2005-00325
CLASS OF ASSET DEPRECIATION RATES

<u>Account Number</u>	<u>Account Name</u>	<u>Rate</u>	<u>Term</u>
3011001	Organization	2.50%	40
3036010	Land & Land Rights	0.00%	0
3042011	Structures & Improvements (Source of Supply)	3.13%	32
3043021	Structures & Improvements (Pump Plant)	3.13%	32
3044031	Structures & Improvements (Water Treatment Plant)	3.13%	32
3072014	Wells & Springs	3.33%	30
3113025	Electric Pump Equipment	5.00%	20
3204032	Water Treatment Equipment	4.55%	22
3305042	Distribution Reservoirs & Standpipes	2.70%	37
3315043	Transmission & Distribution Mains	2.33%	43
3335045	Service Lines	2.50%	40
3345046	Meters	5.00%	20
3345047	Meter Installations	5.00%	20
3355048	Hydrants	2.22%	45
3406020	Mini Computers	16.67%	6
3406090	Office Structures & Improvements	2.50%	40
3406091	Office Furniture & Equipment	6.67%	15
3406120	Micro System	16.67%	6
3446095	Laboratory Equipment	6.67%	15
3466094	Tools, Shop, & Miscellaneous Equipment	6.25%	16
3466097	Communication Equipment	10.00%	10
3486096	Undistributed Water Plant	4.00%	25
3917000	Transportation Equipment	16.67%	6
Common	CIAC, AIAC	3.76%	27

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

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