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November 23, 2005

Martin G. Cogan
Lawrence W. Smither
Airview Utilities, LLC
1706 Bardstown Road
Louisville, Kentucky 40205

Re: Case Number 2005-00022

Dear Messrs. Cogan and Smither:

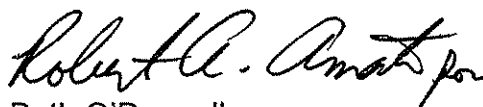
Commission Staff has reviewed the journal entry submitted by Airview Utilities, LLC in accordance with the Commission's Order dated April 28, 2005, to record the purchase of the Airview Estates Sewer Plant. Staff has several comments regarding the entry as follows:

- The amounts recorded for utility plant in service and accumulated depreciation are the December 31, 2004 balances. These amounts should be updated through the date of the transfer which was October 4, 2005.
- In response to a Commission Data Request, the utility indicated that Airview Estates' cash and cash equivalents (including the surcharge account), accounts receivable, other investments and other deferred debits would be transferred to Airview Utilities; however, this was not reflected in the journal entry. If these assets were in existence on October 4, 2005 and transferred, they should be reflected in the journal entry.
- In Case Number 2003-00494, Airview Estates was granted a surcharge to be used to make repairs to its sewer plant. Airview Estates was recording the surcharge collection in the contributions in aid of construction account; however, the amount of the surcharge collections through the transfer date was not reflected in the journal entry. The surcharge collections through the transfer date should be reflected in the journal entry.
- The journal entry included an entry to Other Deferred Credits. This appears to have been a balancing entry. The difference between the purchase price of a utility and the net book value should be recorded in account 108, Utility Plant Acquisition Adjustments, and amortized over the remaining life of the plant acquired. Instead of balancing the entry by using Other Deferred Credits, the utility should use Utility Plant Acquisition Adjustments.

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Please provide an updated journal entry reflecting the above recommendations within 10 days of the date of this letter. If you have any questions, you may contact Daniel Hinton at (502) 564-3940, extension 276.

Sincerely,



Beth O'Donnell
Executive Director

cc: Main Case File No. 2005-00022
Hon. David Edward Spenard, Office of the Attorney General
Hon. Robert C. Moore