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Commonwealth of Kentucky  
Before the Public Service Commission

AUG 10 2007

PUBLIC SERVICE  
COMMISSION

In the Matter of:

NORTHERN KENTUCKY WATER DISTRICT'S )  
NOTICE OF INTENT TO FILE RATE, FINANCING ) Case No. 2007-00135  
& CONSTRUCTION APPLICATION BASED ON )  
HISTORIC TEST PERIOD )

ATTORNEY GENERAL'S  
SUPPLEMENTAL REQUEST FOR INFORMATION  
TO NORTHERN KENTUCKY WATER DISTRICT

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, submits his Supplemental Request for Information to the Northern Kentucky Water District.

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the company witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

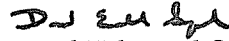
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO  
ATTORNEY GENERAL



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*Certificate of Service and Filing*

Counsel certifies that an original and ten photocopies of this Request for Information were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, it was served by mailing a photocopy, first class postage pre-paid, to John N. Hughes, 124 West Todd Street, Frankfort, Kentucky 40601 (as well as an e-mail transmission of the document in electronic format to Mr. Hughes), all on this 10<sup>th</sup> day of August, 2007.



Assistant Attorney General

Attorney General's Supplemental Request For Information  
To Northern Kentucky Water District

1. Follow-up to AG Q - A1d:
  - a. Describe anticipated increases in operating and maintenance expenses resulting from each of the two projects discussed in the responses, i.e. electric, maintenance, plant, etc.
  - b. Describe the \$821,966 and \$6,843,034 expenditures anticipated to be incurred in 2008 associated with the FTTP Post-Filtration GAC. Also, explain the 1-year gap between expenditures 2008 and 2010.
  - c. Demonstrate the impact of each project on: i) debt service, ii) depreciation, and iii) coverage.
  - d. When will the \$821,966 and \$6,843,034 expenditures be capitalized to plant account 304-0002-000?
  
2. Follow up to AG Q - A5b.1.
  - a. What does "IRR" mean?
  - b. How do you determine what items are funded by the IRR account versus funding by debt?
  - c. How does money flow into and out of the IRR account?
  - d. Provide all policies, procedures and accounting manuals related to the IRR Account, the Debt Service Account and the Debt Service Reserve Account.

- e. Is any part of the Cost of Service you have filed in this case reflected in or driven by these accounts?
- f. Does NKWD have a formula or other mechanical process or procedure to determine the level of funds necessary to be in the IRR regardless of the source of the funds? If yes, please explain.
- g. Explain how the Debt Service and Debt Service Reserve accounts get funded? In other words, how does NKWD determine the level of funding necessary for the reserves and what is the source of the funding.
- h. Describe the type or nature of the capital projects that are funded via the IRR.
- i. Does NKWD use the IRR to fund any operation or maintenance expense projects? If yes, describe the types of operation and maintenance expense projects.
- j. Identify what projects in the Asset Management Plan will be funded via the IRR.
- k. Are projects funded by the IRR ever ultimately consumed by or covered under a BAN or Bond? If yes, please explain and provide examples.

3. Follow-up to AG Q - A9.a.

- a. The original question was referring the "2006 Independent Auditors Report" in Exhibit E and the "2006 Annual USOA Report" in Exhibit C.

Please explain why the two reports cannot be reconciled if they are both drawn from the same set of accounts.

4. Follow-up to AG Q - A10.

- a. NKWD states that it uses the USOA for Class C water companies. Should it now be using the USOA for Class A water companies? Please explain.

5. Follow-up to AG Q – A13.

- a. What types of capital replacement does the cash flow from depreciation finance if your entire construction program is financed with debt?
- b. Is there a linkage between depreciation and the IRR fund? If yes, please explain.

6. Follow-up to AG Q – A16

- a. What alternatives does NKWD currently use in lieu of “No-Dig” alternatives?
- b. What are the relative economics of “No-Dig” alternatives to whatever NKWD is using in lieu of “No-Dig”? Provide support for this.
- c. Are there any alternative funding sources available for “No-Dig” or other rehabilitation activities? If yes, what are these sources and how could NKWD obtain them.

- d. Could the IRR or a similar reserve be used to fund replacement? If no, why not? If yes, provide a description of how NKWD would estimate the annual amount necessary for this approach.