

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)	
WATER DISTRICT FOR (A) AN ADJUSTMENT)	
OF RATES; (B) A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY FOR)	2007-00135
IMPROVEMENTS TO WATER FACILITIES; AND)	
(C) ISSUANCE OF BONDS)	

COMMISSION STAFF'S THIRD INFORMATION REQUEST
TO NORTHERN KENTUCKY WATER DISTRICT

Northern Kentucky Water District ("Northern District") is requested, pursuant to 807 KAR 5:001, to file with the Commission no later than August 24, 2007, the original and 8 copies of the following information, with a copy to all parties of record. 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 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.

Northern District shall make timely amendment to any prior responses 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 requests to which Northern District fails or refuses to furnish all or part of the requested information, Northern District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should 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. In its response to of Item 6(a) of Commission Staff's Second Information Request ("Staff's Second Request"), Northern District states that it, "[h]as not borrowed any funds from the Revolving Fund Loan, therefore there is no amortization Schedule at this point." Provide the documentation and calculations to support the State Revolving Loan Fund debt service shown in the Application, Exhibit N, Cost-of-Service Study, Schedule 3.

2. Refer to the schedule provided in Northern District's response to Staff's Second Request, Item 7. For each employee listed, state if they are included in the employee schedule provided in Northern District's response to Staff's Second Request, Item 9.

3. Refer to Northern District's response to Staff's Second Request, Item 9(a).
a. Provide an updated pro forma salary schedule reflecting Northern District's staff level as of August 1, 2007. Assume all full-time employees that have been hired in calendar year 2007 will work 2,080 regular hours.

b. The schedule in 3(a) should include the current premiums for health insurance, life and disability insurance, and dental insurance for each employee. The insurance premiums should be net of any employee contribution.

c. The schedule in 3(a) should include the 401- 457 Matching Deferred Compensation for each employee using the pro forma salary.

d. Provide a copy of the pro forma salary information requested in Item 2(a) on a computer disk in Microsoft Excel 97-2003 format.

e. Identify in a separate schedule the employees added to and eliminated from the schedule in 3(a).

4. Refer to Northern District's response to Commission Staff's First Information Request ("Staff's First Request"), Item 8(b) and Northern District's response to Staff's Second Request, Item 10. Reducing the "Total Test-Period Payroll Expensed and Capitalized" of \$7,778,729 by the amount capitalized of \$241,631¹ results in the "Test-Period Payroll Expensed" of \$7,537,098. Provide a reconciliation between the amount calculated as payroll expense from this schedule of \$7,537,097 with the reported "Salaries and Wages – Employees Expense" of \$7,749,012.²

5. Refer to the employee health insurance premiums provided in Northern District's response to Staff's Second Request, Item 16. A comparison of the June 2007

¹ Each rate listed in the "Percentage Capitalized" column was applied to each salary listed in the "Total Test-Period Payroll Expensed and Capitalized" column to arrive at the capitalized payroll of \$241,631.

² Application, Exhibit C, Annual Report of Northern District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2006 at 28.

invoice to the December 2006 invoice shows that the premium increased by \$12,338³ or 8.71 percent.⁴ Explain why Northern District's proposed 12.4 percent increase in employee health insurance expense⁵ is reasonable.

6. Refer to Northern District's response to Staff's First Request, Item 13.

a. Northern District cites the Commission decision in Case No. 2006-00172⁶ as the basis for its proposed 17 percent adjustment to test-period electricity expense. Explain how Northern District determined that the Commission authorized a 17 percent increase in electricity rates of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky.

b. Northern District cites the Commission decision in Case No. 2006-00172 as the basis for its proposed 17 percent adjustment to test-period gas expense. Explain how the approved increase in Duke Kentucky's electricity rates impacts the cost of the gas purchased by Northern District.

7. Provide the number of hours per month each commissioner of Northern District spent during the test period performing district business. Include a description of the business that was being performed.

³ \$153,976 (June 2007 Premium) - \$141,638 (December 2006 Premium) = \$12,338.

⁴ $\$12,388 \div \$141,638$ (December 2006 Premium) = 8.71%.

⁵ Northern District's Response to the Staff's Second Request, Item 1, Schedule 1.5, Health Care Pro forma.

⁶ Case No. 2006-00172, Application of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky for an Adjustment of Electric Rates (Ky. PSC December 21, 2006).

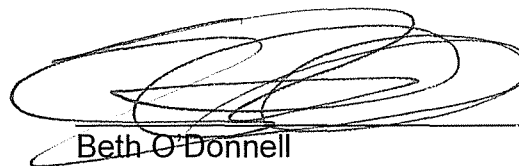
8. Refer to Northern District's response to Staff's First Request, Item 26.

a. For each expenditure listed in Schedule 1 of this Request identify if the expenditure was expensed or capitalized. Provide the account number and the account title in which it was recorded.

b. Several of the expenditures to Hemmer Pangburn DeFrank PLLC are identified as general. Provide a partial list of the legal services that are identified as general.

c. Several of the expenditures to Hemmer Pangburn DeFrank PLLC are identified as litigation. Provide a description of the legal services identified in the response as litigation.

9. Given the recent court decision⁷ regarding the Commission's authority to approve surcharges, if Northern District is required to cease collecting the Sub-District Surcharges as of the date of the Order, calculate the impact this would have on Northern District's base rates. Include copies of all workpapers, calculations, and assumptions used in the determinations.



Beth O'Donnell
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Dated: August 10, 2007

cc: Parties of Record

⁷ Commonwealth of Kentucky, ex rel. Gregory D. Stumbo, Attorney General v. Ky. Public Service Comm'n and Union Light Heat and Power Company, Franklin Circuit Court, Division I, Civil Action No. 06-CI-269 (Aug. 1, 2007).

Northern District
Case No. 2007-00135
Test-Period Expenditures

Schedule 1
Witness Responsible:

Transaction Date	Journal Number	Check Number	Vendor	Description	Amount
01/09/06	155,956	43,366	Viking Supply, Inc.	4 36" Butterfly Valves	\$ 38,480.00
01/14/06	156,334	43,432	Hemmer Pangburn DeFrank PLLC	Cincinnati Steel Treating	405.00
01/14/06	156,334	43,432	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution	2,220.00
01/14/06	156,334	43,432	Hemmer Pangburn DeFrank PLLC	General	3,014.85
01/14/06	156,334	43,432	Hemmer Pangburn DeFrank PLLC	Litigation	2,009.25
01/14/06	156,354	43,452	MALCOLM PIRNIE, INC.	Services – Ripple Creek Improvements	6,500.00
01/23/06	156,685	43,548	Burgess & Niple	Services – Ida Spence & Carbon Silo	8,934.13
01/23/06	156,694	43,557	Ferguson Waterworks	24 – 36" Megalugs	14,913.84
01/23/06	156,697	43,560	Gemmer and Sons J	New Service Installation for Dec 2005	36,100.75
01/23/06	156,703	43,566	Hughes, PSC., John N.	Legal Services – Engineering	2,527.10
01/23/06	156,703	43,566	Hughes, PSC., John N.	Legal Services – Rate Case	7,543.03
01/23/06	156,740	43,603	Viox & Viox Inc.	Main Line Construction	26,846.25
01/30/06	157,044	43,628	Gemmer & Sons, Inc.	22 Hours of Excavation	2,200.00
01/30/06	157,046	43,630	Gleason Electric Inc	Install Heat Trace at TMTP Pump Station	4,957.14
01/30/06	157,053	43,637	Hemmer Pangburn DeFrank PLLC	Cincinnati Steel Treating	540.00
01/30/06	157,053	43,637	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution	2,535.00
01/30/06	157,053	43,637	Hemmer Pangburn DeFrank PLLC	General	3,000.00
01/30/06	157,053	43,637	Hemmer Pangburn DeFrank PLLC	Litigation	866.25
02/06/06	157,403	43,722	Hughes Supply Inc	3 – 36" Butterfly Valves	18,894.00
02/06/06	157,403	43,722	Hughes Supply Inc	3 – 36" Butterfly Valves	18,894.00
02/20/06	158,174	43,887	Black and Veatch	2005 Rate Case Assistance	7,412.00
02/20/06	158,177	43,890	Burgess & Niple	Services for 2005 Water Tank & Painting	3,507.39
02/20/06	158,232	43,945	VonLehman & Company Inc.	Finalization of Internal Control Project	5,750.00
02/27/06	158,454	43,962	Black and Veatch	2005 Rate Case Assistance	6,120.00

<u>Transaction Date</u>	<u>Journal Number</u>	<u>Check Number</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
02/27/06	158,471	43,979	Gemmer & Sons, Inc.	New Service Installation for Jan 2006	36,655.00
03/20/06	159,524	44,211	Burgess & Niple	2005 Water Storage & Planning	6,070.76
03/20/06	159,538	44,225	Gemmer & Sons, Inc.	New Service Installation for Feb 2006	38,428.00
03/20/06	159,544	44,231	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution	990.00
03/20/06	159,544	44,231	Hemmer Pangburn DeFrank PLLC	General	3,000.00
03/20/06	159,544	44,231	Hemmer Pangburn DeFrank PLLC	Litigation	1,081.50
03/20/06	159,545	44,232	Hughes, PSC., John N.	Rate Case	10,968.60
04/10/06	160,638	44,555	Water Works Supplies Inc	Trench Hydrants and Pressure Regulators	26,784.40
04/17/06	160,931	44,615	Ranger Construction Services Inc.	New Water Service Installations	25,076.58
04/24/06	134,518	44,685	Hemmer Pangburn DeFrank PLLC	General Utility Legal Matters	11,956.80
04/24/06	134,532	44,699	No Ky Area Planning Commission	GIS Services Overhead	13,447.67
04/24/06	134,547	44,714	Utility Service Co., Inc.	Ida Spence Tower Painting	23,575.00
05/15/06	135,695	44,924	Hughes, PSC., John N.	Depreciation / Rate Case	1,970.85
05/22/06	136,141	45,010	Bingham and Taylor Inc	18" Meter Crocks Lids	10,146.00
05/22/06	136,177	45,046	Jasper Engine and Transmission	Engine for Truck #260	6,745.00
05/22/06	136,197	45,066	Prescott, Inc., Everett J.	200 Valve Box Extensions	5,955.50
05/26/06	136,376	45,101	Black and Veatch	2005 Rate Case	2,634.03
05/26/06	136,381	45,106	Creative Waste Management	Sedimentation Removal from Reservoir	258,264.84
06/05/06	136,779	45,191	Creative Waste Management	Sedimentation Removal from Reservoir	371,199.66
06/12/06	137,055	45,280	Ranger Construction Services Inc.	Install Water Services	34,481.00
06/12/06	137,059	45,284	SLC Meter Service Inc	35,000 Pieces of Soft Copper Tubing	111,600.00
06/19/06	137,397	45,348	Hayes Pipe Supply	1000 8" Ductile Iron Pipe	9,339.33
06/19/06	137,439	45,390	Viox & Viox Inc.	Survey of the Kenton Lands Road Site	2,600.00
06/26/06	137,793	45,429	Grimes Promotional Products	250 Golf Umbrellas	2,792.35
06/26/06	137,797	45,433	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution	3,000.00
07/03/06	138,217	45,507	Black and Veatch	Depreciation Study	925.00
07/03/06	138,217	45,507	Black and Veatch	Service for TMTP Basin Evaluation	16,496.57
07/17/06	138,777	45,680	Ranger Construction Services Inc.	New Service Installation for June 2006	43,631.00
07/24/06	139,212	45,752	Hughes, PSC., John N.	Legal Services – Engineering	2,234.80
07/24/06	139,212	45,752	Hughes, PSC., John N.	Legal Services – Rate Case	5,579.60
07/24/06	139,524	45,848	Delaney & Associates Inc	2 Dudley Pumps Station Hydro Pumps	4,210.90
08/21/06	140,613	46,093	Black and Veatch	Final Payment for TMTP Evaluation	695.92
08/21/06	140,635	46,115	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution	1,196.25
08/21/06	140,635	46,115	Hemmer Pangburn DeFrank PLLC	General	3,000.00

<u>Transaction Date</u>	<u>Journal Number</u>	<u>Check Number</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
08/21/06	140,635	46,115	Hemmer Pangburn DeFrank PLLC	Litigation	495.00
09/01/06	141,603	46,333	GRW Engineers, Inc	Painting & Structural Repairs – TM Standpipe	10,055.00
09/22/06	142,473	46,522	Frost Brown Todd LLC	Litigation – NKWD vs. Wessels	1,595.00
09/25/06	142,607	46,589	Frost Brown Todd LLC	Litigation – NKWD vs. Wessels	1,595.00
09/22/06	142,476	46,592	GRW Engineers, Inc	Painting & Structural Repairs – TM Standpipe	795.00
09/22/06	142,479	46,595	Hughes, PSC., John N.	Depreciation Rate Case	353.35
09/22/06	142,479	46,595	Hughes, PSC., John N.	Cross Connection	9,353.90
09/22/06	142,479	46,595	Hughes, PSC., John N.	Sub-district F	1,139.60
09/22/06	142,479	46,595	Hughes, PSC., John N.	Depreciation Study	2,405.00
10/16/06	143,786	46,851	Frost Brown Todd LLC	Litigation – NKWD vs. Wessels	459.26
10/16/06	143,818	46,883	Ranger Construction Services Inc.	New Service Installation for Sep 2006	33,238.50
10/23/06	144,076	46,972	Utility Service Co., Inc.	Final Payment for Ida Spence Tank Painting	6,000.00
10/30/06	144,519	47,019	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution	1,2875.75
10/30/06	144,519	47,019	Hemmer Pangburn DeFrank PLLC	General	3,000.00
11/20/06	145,635	47,276	GRW Engineers, Inc	Painting & Structural Repairs – TM Standpipe	8,111.60
11/20/06	145,639	47,280	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution	57.50
11/20/06	145,639	47,280	Hemmer Pangburn DeFrank PLLC	General	3,000.00
11/20/06	145,639	47,280	Hemmer Pangburn DeFrank PLLC	Litigation	247.50
11/20/06	145,640	47,281	Hughes, PSC., John N.	MPTP	1,338.08
11/20/06	145,640	47,281	Hughes, PSC., John N.	Sub-district F	6,052.87
11/20/06	145,640	47,281	Hughes, PSC., John N.	Tariff Review	74.51
11/20/06	145,640	47,281	Hughes, PSC., John N.	Popular Ridge	292.81
11/20/06	145,640	47,281	Hughes, PSC., John N.	Training	261.36
11/20/06	145,640	47,281	Hughes, PSC., John N.	Service Line Issues	1,680.31
11/20/06	145,640	47,281	Hughes, PSC., John N.	Rate Case	76.36
11/20/06	145,640	47,281	Hughes, PSC., John N.	Cross Connection	76.36
11/20/06	145,683	47,324	Viox & Viox Inc.	Engineering – Water Main Project Cost Updates	2,041.50
12/04/06	146,158	47,404	Black and Veatch	Depreciation Study	2,135.00
12/04/06	146,221	47,467	Viox & Viox Inc.	Engineering – Horsebranch Road 6" Main Ext.	2,399.00
12/11/06	146,610	47,517	GRW Engineers, Inc	Painting & Structural Repairs – TM Standpipe	9,270.40
12/13/06	146,844	47,581	Coney Island, Inc.	Deposit for Company Picnic	2,000.00
12/13/06	146,877	47,614	Ranger Construction Services Inc.	New Services for Nov 2006	32,868.00
12/14/06	146,940	47,636	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution	907.50
12/14/06	146,940	47,636	Hemmer Pangburn DeFrank PLLC	General	2,917.50

<u>Transaction</u>	<u>Journal</u>	<u>Check</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
<u>Date</u>	<u>Number</u>	<u>Number</u>			
12/14/06	146,940	47,636	Hemmer Pangburn DeFrank PLLC	Litigation	709.50
12/22/06	147,324	47,677	Hughes, PSC., John N.	Sub-District F	1,272.34
12/22/06	147,324	47,677	Hughes, PSC., John N.	Depreciation Case	1,864.80
12/22/06	147,324	47,677	Hughes, PSC., John N.	Conference Dates	46.25
12/22/06	147,324	47,677	Hughes, PSC., John N.	Draft Exhibits for Dudley	138.75