



Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
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Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

February 4, 2008

Honorable Kipley J. McNally
Attorney at Law
KIPLEY J. McNALLY, PLC
2527 Nelson Miller Parkway
Louisville, KY 40223

RE: Case No. 2007-00488

Please see enclosed data request from Commission Staff in the above case.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

BOD/rs
Enclosure



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Philip Ward
President
Auxier Water Company, Inc.
P. O. Box 99
Auxier, KY 41602

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If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF AUXIER WATER COMPANY,)	
INC. FOR AUTHORIZATION OF ITS PROPOSED)	
SALE AND CONVEYANCE OF ALL OF ITS)	CASE NO.
WATER DISTRIBUTION SYSTEM AND)	2007-00488
CUSTOMER DEPOSITS TO THE CITY OF)	
PRESTONSBURG, KENTUCKY)	

COMMISSION STAFF'S SECOND
DATA REQUEST TO APPLICANTS

Auxier Water Company ("Auxier") and the city of Prestonsburg ("Prestonsburg") (collectively "Applicants"), pursuant to 807 KAR 5:001, are to file with the Commission the original and 6 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before February 14, 2008. 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.

Applicants shall make timely amendment to any prior responses if either 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 Applicants fail or refuse to furnish all or part of the requested information, Applicants shall provide a written explanation of the specific grounds for their 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. Provide all letters, analyses, notes, memoranda, studies, and related documents that Applicants prepared or commissioned the preparation of that were used to negotiate the purchase price of \$2,650,000.

2. At page 8, the Acquisition Contract provides “[u]pon the City’s retirement of its Acquisition Debt, and the interest thereon, from the water revenues received from water users in the Service Territory of Auxier, it will continue to furnish such water service at the City’s Outside Rates (Exhibit B), or as the same may be adjusted from time to time.” Does Prestonsburg agree to commit that all revenues received from the water users in Auxier’s present service territory will be used solely for the retirement of the Acquisition Debt? If Prestonsburg objects to making this commitment, explain in detail the basis for its objection.

3. In its response to Item 2 of the Commission Staff's First Data Request, Prestonsburg provided a Conditional Loan Commitment from the Kentucky Infrastructure Authority ("KIA") dated December 13, 2007. KIA has committed to a loan that shall not exceed \$2.7 million that will have a 20-year term and an interest rate of 0.7 percent per annum. Provide an amortization schedule for the proposed KIA loan.

4. a. Provide an analysis of the revenues Prestonsburg would receive over the 20-year KIA loan term that compares Auxier remaining a wholesale water customer and the customers currently served by Auxier becoming retail customers of Prestonsburg.

b. For the same 20-year period as Item 4(a), provide the projected annual operational costs for Prestonsburg to provide retail water service to Auxier water customers.

c. Provide all workpapers, assumptions, and calculations used in the responses to Items 4(a) and 4(b).

5. In Case No. 2001-00325,¹ the Commission ordered: "No portion of the rates charged to Spears Water's existing customers and to future customers in the area now served by Spears Water shall be used to recover the difference between the purchase price for the Spears Water system and the net unrecovered value of the system at the time of transfer." Explain why the Commission should not condition its approval of the proposed transaction upon restricting Prestonsburg to assessing Auxier's current rates to Auxier's customers until the net unrecovered value of the

¹ Case No. 2001-00325, The Joint Application of the Spears Water Company, Inc. and the City of Nicholasville for Approval of an Asset Purchase Agreement (Ky. PSC Mar. 7, 2002) at 5.

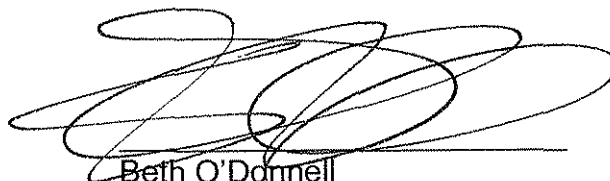
Auxier system at the time of the transfer is paid by those customers at which time the customers' rates will become the City's Outside Water Rates.

6. Explain in detail why customers of Auxier should not be charged Prestonsburg's current rates upon completing the proposed transaction.

7. a. Provide a copy of the most recent cost-of-service study that Prestonsburg has performed or commissioned for its water operations.

b. In the event that no cost-of-service study is available, provide all analyses that are the basis for Prestonsburg's present water service rates. Include all workpapers, assumptions, and calculations used to arrive at Prestonsburg's rates.

8. Provide in detail an explanation of the method and basis that will be used to determine future adjustments to Prestonsburg's water service rates.



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

Dated: February 4, 2008

cc: Parties of Record