



Steven L. Beshear
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KIPLEY J. McNALLY, PLC
2527 Nelson Miller Parkway
Louisville, KY 40223

January 10, 2008

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 cursive script that reads "Robert A. Amato".

Robert A. Amato
Deputy Executive Director

RAA/tw
Enclosure



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

January 10, 2008

RE: Case No. 2007-00488

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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 FIRST 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 January 24, 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 amendments 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. For its water distribution system and customer deposits, Auxier will receive \$2,650,000 and other valuable consideration, including commitments of Prestonsburg respecting water service in Auxier's service territory.¹

- a. Explain the term "other valuable consideration."
- b. Describe the water service commitments that Auxier will receive.

2. KRS 278.020(6) provides that the Commission must find that the proposed transaction "[i]s to be made in accordance with law, for a proper purpose and is consistent with the public interest." Explain how the proposed transaction benefits the public.

3. According to the Acquisition Contract dated September 24, 2007, Auxier will "deliver to the City and its Utilities Commission (a) all sums of money which it then

¹ Application at 2.

holds, representing deposits made by Auxier's water users as security for the payment of water bills." ²

a. Identify the amount of the customer deposit liability that Auxier has outstanding as of December 31, 2007 that will be transferred to Prestonsburg.

b. Identify any of Auxier's outstanding customer deposit liabilities that will be refunded to customers prior to the proposed transfer.

4. Commission regulations require that interest be paid on customer deposits annually. Auxier's annual report to the Commission for the Calendar Year Ending December 31, 2006 indicates that Auxier did not accrue interest on its customer deposits. Provide the amount of accrued interest on customer deposits Auxier owes as of December 31, 2007.

5. The Acquisition Contract states that the future accrual of interest on Auxier's customer deposits will conform to, "[w]hatever policies and practices the City has established." ³

a. Describe the policies and practices Prestonsburg has regarding the accrual and payment of interest on customer deposits.

b. Describe the differences between Prestonsburg's policies regarding interest on customer deposits with the requirements contained in Commission regulations.

6. Provide the proposed journal entry that Auxier will use to record the transfer.

² Acquisition Contract at 6.

³ Id.

7. Provide the proposed journal entry that Prestonsburg will use to record the transfer.

8. Exhibit B of the application is the Report on Audit of Financial Statement for the years ended June 30, 2006 and 2005 for the Prestonsburg City Utilities Commission. Provide a copy of the Water Division's balance sheet, income statement, and statement of retained earnings for the 12-month period ending December 31, 2007.

9. Provide a copy of Auxier's balance sheet, income statement, and statement of retained earnings for the 12-month period ending December 31, 2007.

10. Identify the Prestonsburg employees who will manage and operate Auxier's water system and describe each person's qualifications to operate and manage a water distribution system.

11. a. Describe the internal standards and policies of Prestonsburg regarding service reliability and quality of its water utility operations.

b. Provide all written standards or policies related to service quality and reliability of water utility operations.

12. Provide in table format an analysis of the number and type of consumer complaints that Prestonsburg received during the period from 2000 to 2005 and of how such complaints were resolved.

13. a. List all of Auxier's current employees.

b. Identify each Auxier employee that Prestonsburg will not retain after the acquisition is completed, explain why he or she will not be retained, and describe the severance package, if any, that he or she will receive.

c. Provide the job duties and salary of each Auxier employee to be hired by Prestonsburg.

d. Will the hiring of any Auxier employee fill a current vacancy at Prestonsburg? If yes, state the current vacant position and how long that position has been vacant.

e. Who will supervise the Auxier employees hired by Prestonsburg?



Robert A. Amato
Deputy Executive Director
Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Dated: January 10, 2008

cc: Parties of Record