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Honorable John N. Hughes  
Attorney at Law  
124 West Todd Street  
Frankfort, KY 40601

January 14, 2008

RE: Case No. 2007-00496

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

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF CONSUMERS WATER	)	
DISTRICT, FANCY FARM WATER DISTRICT,	)	
HARDEMAN WATER DISTRICT, AND SOUTH	)	CASE NO.
GRAVES WATER DISTRICT FOR APPROVAL	)	2007-00496
OF MERGER AND FORMATION OF THE	)	
GRAVES COUNTY WATER DISTRICT	)	

COMMISSION STAFF'S FIRST DATA REQUEST TO APPLICANTS

Consumers Water District ("Consumers"), Fancy Farm Water District ("Fancy Farm"), Hardeman Water District ("Hardeman"), and South Graves Water District ("South Graves") (jointly "Petitioners"), 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 26, 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.

Petitioners shall make timely amendments to any prior responses if they obtain 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 Petitioners fail or refuse to furnish all or part of the requested information, Petitioners 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. In its explanation of the merger at 10(b), Petitioners state that, “[T]he merger is in the public interest in that Graves County Water District will be able to provide services to a larger area of residents, which should provide economies of scale and offset potential rate increases.” Provide an analysis and/or study that will support the above statement.

2. Petitioners state in 10(c)(1) of the application that, “[T]he goods and services buying power of one larger water district would be stronger than any on individual system.”

a. Cite specific examples of the savings that the merged Graves District can expect to achieve. Provide copies of all workpapers, calculations, and assumptions used to derive the expected cost savings.

b. Provide the calendar year 2007 annual cost information requested in the Table below. The information provided in the table for Graves District should be cost projections. Include copies of all workpapers, calculations, and assumptions used to derive the projected costs for Graves District.

No.	Services	Consumers	Fancy Farm	Hardeman	South Graves	Graves District
(1)	Customer Billing					
(2)	Meter Reading					
(3)	Lab Analysis					
(4)	Contract Costs <sup>1</sup>					
(5)	Engineering					
(6)	Accounting					
(7)	Auditing					
(8)	Legal					

c. Explain how Graves District with 3,107 residential water customers will be able to purchase materials, water meters, and chemicals at a lower cost.

3. Refer to 10(c)(4) of the application, Replacement of Old Lines. For each district provide its itemized 5-year plan of main and equipment replacements. Show how the projected replacements can be more efficiently accomplished by Graves District.

4. At 10(c)(6) of the application, Petitioners state that, “[A] larger consolidated district would have a better opportunity than smaller individual districts to secure and pay financing of projects necessary to serve new, unserved areas in the County.” Provide documentation to support the above statement.

a. At 10(e)(2) of the application, Petitioners state that the Kentucky Infrastructure Authority (“KIA”) has refinanced the Fancy Farm loan. As of December

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<sup>1</sup> Operations and Management.

31, 2006, Fancy Farm's only outstanding long-term debt is a KIA Fund B Loan issued July 1, 2006 in the amount of \$582,544.<sup>2</sup> State if this was the KIA loan that was refinanced, provide the KIA loan agreement, and cite the proceeding where Commission approval of the refinancing was granted.

5. At 10(e)(6) of the application, Petitioners state that, "[T]o the extent feasible, existing employees and service contractors, who are in place, effective as of the date of the merger, with any one or more water district(s) participating in the merger shall be offered available, similar positions or contractual arrangements for the initial year of operations."

a. For each water district provide the employee information requested in the table below.

No.	Description	District Name 12/31/07
(1)	Name	
(2)	Title	
(3)	Length of Employment	
(4)	Job Duties	
(5)	Current Annual Salary	

b. Identify the employees listed in the response to 6(a) that will be employed by Graves District.

c. Identify the employees listed in the response to 6(a) that will not be employed by Graves District. Include the reason they will not be employees of Graves District.

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<sup>2</sup> Annual Report of Fancy Farm to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2006 ("2006 Fancy Farm Annual Report") at 16.

d. Provide the service contracts for each water district and the proposed service contracts for Graves District. Identify any fee changes that will occur due to the proposed merger.

6. Refer to Exhibit 2 of the application, Graves County District's Cash Flow Analysis.

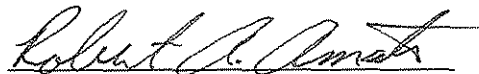
a. Provide copies of all workpapers, calculations, and assumptions Petitioners used in the projections contained in this analysis.

b. Provide the cash flow analysis comparison that includes the detailed revenue and expense accounts.

c. Provide the following financial statements for the calendar year 2007 for each district involved in the proposed merger:

- (1) Balance Sheet
- (2) Income Statement
- (3) Cash Flow Statement

d. Provide projected financial statements for Graves District by using the financial statements provided in the response to 6(b). Include copies of all workpapers, calculations, and assumptions used in the projections.



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

Dated: January 14, 2008  
cc: Parties of Record