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January 31, 2011

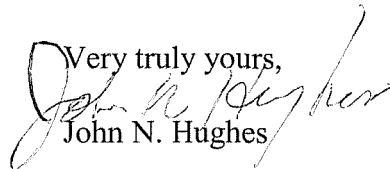
Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Case No. 2010-00476

Dear Mr. Derouen:

Attached is the direct testimony of Patrick Baryenbruch for Water Service Corporation of Kentucky. This completes the prefiled testimony included as exhibit 5 of the application. A copy has been delivered to the Attorney General.

If you have any questions about this matter, please contact me.

Very truly yours,

John N. Hughes

Attorney for WSCK

attachment

SUPPLEMENTAL TESTIMONY
OF
PATRICK L. BARYENBRUCH
ON BEHALF OF
WATER SERVICE CORPORATION OF KENTUCKY

CASE NO. 2010-00476

Q. Please state your name and business address.

A. Patrick L. Baryenbruch, 2832 Claremont Road, Raleigh, North Carolina 27608.

Q. Please describe your educational and professional background.

A. I received a Bachelors degree in accounting from the University of Wisconsin-Oshkosh in 1974 and a Masters in Business Administration degree from the University of Michigan in 1979.

I am a certified public accountant and am a member of the American Institute of Certified Public Accountants and the North Carolina Association of Certified Public Accountants.

I began my career as a staff accountant with Arthur Andersen & Company where I performed financial audits of utilities, banks and finance companies. After three years I left to pursue an M.B.A. degree. Upon graduation from business school, I worked with the consulting firms of Theodore Barry & Associates and Scott, Madden & Associates.

During my consulting career, I have performed consulting assignments for approximately 50 utilities and 10 public service commissions. I have participated as project manager, lead or staff consultant for 24 commission-ordered management and prudence audits of public utilities. Of these, I have been responsible for evaluating the area of affiliate charges and allocation of corporate expenses in the Commission-ordered audits of Connecticut Light and Power, Connecticut Natural Gas, General Waterworks Corporation (Pennsylvania Operations), Philadelphia Suburban Water Company, Pacific Gas & Electric Company and Southern California Edison.

My firm performed the commission-ordered audits of Southern California Edison's transactions with its non-regulated affiliate companies for the years 2002 through 2005.

Q. What are your duties and responsibilities in your current position?

A. I am the President of my own consulting practice, Baryenbruch & Company, LLC, which was established in 1985. In that capacity, I provide financial and management and consulting services to utilities and their regulators.

Q. Please describe the reason for your testimony in this case.

A. I am presenting the results of my study which evaluated the services provided by Water Service Corporation (WSC) to Water Service Corporation of Kentucky (WSCK). This study was undertaken in conjunction with Massanutten PSC's rate case for the test year

ending September 30, 2010 and is true to the best of my knowledge and belief. The study is attached as Exhibit PLB-1.

Q. What were the objectives of your study?

A. This study was undertaken to answer three questions concerning the services provided by Water Service Corporation (WSC) to Water Service Corporation of Kentucky (WSCK):

1. Are the costs of administrative and general (A&G) services provided by WSC to WSCK reasonable?
2. Was WSCK charged the lower of cost or market for managerial and professional services provided by WSC during the 12 months ended September 30, 2010?
3. Are the services WSCK receives from WSC necessary?

Q. WHAT CONCLUSIONS WERE YOU ABLE TO DRAW CONCERNING QUESTION NUMBER 1, WHETHER THE WSC CHARGES TO WSCK WERE REASONABLE?

A. I was able to draw the following conclusions about the reasonableness of those charges:
The cost of A&G services provided by WSC to WSCK are reasonable compared to the costs of those services as provided by other utility service companies. WSC's A&G services cost \$72 per WSCK customer per year as compared to an average of \$95 per customer for other utility service companies.

Q. WHAT CONCLUSIONS WERE YOU ABLE TO DRAW CONCERNING QUESTION NUMBER 2, WHETHER WSCK WAS CHARGED THE LOWER OF COST OR MARKET SERVICES PROVIDED BY WSC?

A. I was able to draw the following conclusions:

(1) WSC provided WSCK with managerial and professional services during the 12 months ended September 30, 2010 at the lower of cost or market.

(2) On average, the hourly rates for outside service providers were 123% higher than the WSC's hourly rates during the 12 months ended September 30, 2010.

(3) If all the managerial and professional services provided by WSC had been outsourced during the 12 months ended September 30, 2010, WSCK and its ratepayers would have incurred an additional \$506,000 in expenses.

Q. WHAT CONCLUSIONS WERE YOU ABLE TO DRAW CONCERNING QUESTION 3 REGARDING THE NECESSITY OF THE SERVICES WSCK RECEIVES FROM WSC?

A. I was able to draw the following conclusions:

The services that WSC provides are necessary and would be required even if WSCK were a stand-alone water utility. Furthermore, there is no redundancy or overlap in the services provided by WSC to WSCK. For all of the services listed in Exhibit 9 of my study, there was only one entity primarily responsible for the service.


Q. Does this complete your testimony?

A. Yes.

AFFIDAVIT

STATE OF NORTH CAROLINA
WAKE COUNTY

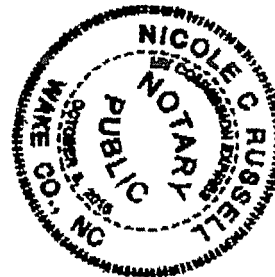
Affiant, Patrick L. Baryenbruch, after being first sworn, deposes and says that he is a consultant for Water Service Corporation of Kentucky, that he is authorized to submit this testimony on behalf of Water Service Corporation of Kentucky, and that the information contained in the testimony is true and accurate to the best of his knowledge, information and belief, after a reasonable inquiry, and as to those matters that are based on information provided to him, he believes to be true and correct.


Patrick L. Baryenbruch

This instrument was produced, signed, acknowledged and declared by Patrick L. Baryenbruch to be his act and deed the 28th day of January, 2011.


Notary Public

My Commission expires: October 8, 2015



**Market Cost Comparison of Affiliate Company Charges
to Water Service Corporation of Kentucky**

12 Months Ended September 30, 2010

**Water Service Corporation of Kentucky
Market Cost Comparison of Affiliate Company Charges
12 Months Ended September 30, 2010**

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Purpose of This Study

This study was undertaken to answer three questions concerning the services provided by Water Service Corporation (WSC) to Water Service Corporation of Kentucky (WSCK):

- Are the costs of administrative and general (A&G) services provided by WSC to WSCK reasonable?
- Was WSCK charged the lower of cost or market for managerial and professional services provided by the Service Company during the 12 months ended September 30, 2010?
- Are the services WSCK receives from WSC necessary?

The results of this study will be used in WSCK's rate case before the Kentucky Public Service Commission.

Study Results

The following conclusions can be drawn from this study:

- The cost of A&G services provided by WSC to WSCK are reasonable compared to the costs of services of other utility service companies.
 - WSC's A&G services cost \$72 per WSCK customer per year as compared to an average of \$95 per customer for other utility service companies.
- WSC provided WSCK with managerial and professional services during the 12 months ended September 30, 2010 at the lower of cost or market.
 - On average, the hourly rates for outside service providers were 123% higher than the WSC's hourly rates during the 12 months ended September 30, 2010.
 - If all the managerial and professional services provided by WSC had been out-sourced during the 12 months ended September 30, 2010, WSCK and its ratepayers would have incurred an additional \$506,000 in expenses.
- The services that WSC provides are necessary and would be required even if WSCK were a stand-alone water utility. Furthermore, there is no redundancy or overlap in the services provided by WSC to WSCK. For all of the services listed in Exhibit 9, there was only one entity primarily responsible for the service.

Overview of WSCK and Its Principal Affiliate Entities

WSCK is a wholly-owned subsidiary of Utilities, Inc., which is one of the largest privately-owned water and wastewater companies in the US. Utilities, Inc. holds around 85 subsidiaries that operate around 800 systems in 15 states, mainly in the eastern US and it serves more than 300,000 customers. About half of Utilities, Inc.'s revenue comes from water services and the other half from wastewater services; residential customers account for approximately 90% of sales. Utilities, Inc. also provides reuse water for irrigation purposes and for golf courses and car washes.

WSCK has no employees of its own. All personnel serving WSCK are WSC employees. Employees located in Kentucky are involved in operating and maintaining the water and waste water utility facilities and equipment. Other WSC employees serving WSCK are located in two regional offices and in the corporate headquarters in Northbrook, Illinois. Regional offices provide operations, engineering and customer services. Headquarters personnel provide the following services to the operating utilities:

- Executive Management
- Engineering
- Operations
- Accounting
- Legal
- Billing and Customer Relations
- Construction
- Regulatory
- Information Technology
- Human Resources

Utilities, Inc. regulated utilities are served by WSC's three national call centers located in Charlotte, North Carolina, Altamonte Springs Florida and Parump, Nevada.

Test Year Affiliate Charges to WSCK

During the 12 months ended September 30, 2010, WSC per books O&M expenses charged to WSCK were approximately \$1,930,800. These transactions are covered by a service agreement between WSC and WSCK dated December 19, 2007. The agreement describes the allocation methods for those expenses/costs that cannot be charged directly to WSCK. It specifies that services are to be rendered at cost and without profit to WSC.

III – Reasonableness of Service Company Charges

Cost Comparison Methodology

The determination as to whether WSC's charges to WSCK are reasonable was made by comparing the cost of WSC's A&G-related services provided to WSCK to the cost of similar services provided by other service companies to their regulated utility affiliates. Comparison group service company information was obtained from the FERC Form 60 – Annual Report of Service Companies. WSCK's per customer cost is compared to Form 60 data from 2009, the latest year available.

WSCK's Service Company Cost per Customer

As calculated in the table below, WSCK's rate case requests the equivalent of \$72 per customer for general expenses (i.e., A&G-related services). All of these costs are charged to WSCK by WSC.

General Expenses	Rate Case Amounts		
	Pro Forma Proposed	Adjustment (A)	A&G-Related WSC Charges
Salaries and Wages	\$ 151,264		\$ 151,264
Office Supplies and Other Office Exp.	\$ 102,242		\$ 102,242
Regulatory Commission Expense	\$ 82,845		\$ 82,845
Pension and Other Benefits	\$ 162,868	\$ (126,040)	\$ 36,828
Rent	\$ 18,906		\$ 18,906
Insurance	\$ 59,054		\$ 59,054
Office Utilities	\$ 53,825		\$ 53,825
Miscellaneous	\$ 26,283		\$ 26,283
Total	\$ 657,286		\$ 531,246
Total WSCK Customers			7,349
A&G Expenses Per Customer			\$ 72

Note A: The Pro Forma Proposed balance represents pension and benefits for all WSC employees who support WSCK. Thus, it is necessary to eliminate pension and benefits on maintenance (i.e., on-site Kentucky operations) personnel to arrive at A&G-related pension and benefits. The elimination is calculated below.

Total Pension and Other Benefits	\$ 162,868
Less: Maintenance portion	77%
Adjustment	\$ 126,040

Comparison Group Cost per Customer

Every centralized service company in a holding company system must file a Form 60, unless exempt, in accordance with the Public Utility Holding Company Act of 2005, Section 1270, Section 390 of the Federal Power Act and 18 C.F.R. paragraph 366.23. This report is designed to collect financial information from service companies that are subject to regulation by the FERC.

III – Reasonableness of Service Company Charges

For 2009, a Form 60 was filed by 24 utility service companies, all of which serve utilities that provide regulated electric and, in some cases, gas service to retail customers. In order to make a valid comparison of this group's costs to those of WSC, it was necessary to isolate expenses that they have in common. These include A&G-related charges associated with the following FERC accounts:

901 – Supervision	921 – Office supplies and expenses
903 – Customer records and collection expenses	923 – Outside services employed
905 – Miscellaneous customer accounts expenses	928 – Regulatory commission expenses
907 – Supervision	930.2 – Miscellaneous general expenses
910 – Misc customer service and info expenses	931 – Rents
911 – Supervision	935 – Maintenance of structures and equipment
920 – Administrative and general salaries	

O&M expenses charged to utility affiliates for the comparison group service companies were obtained from Schedule XVI – Analysis of Charges for Service Associate and Non-Associate Companies (p. 303 to 306) of each entity's FERC Form 60. This schedule shows charges by FERC Account.

Comparison group service company 2009 expenses were also adjusted to remove charges to non-regulated affiliates from the cost pool used to calculate the cost per regulated service customer. This determination was made using information from the FERC Form 60 schedule: Account 457 – Analysis of Billing – Associate Companies.

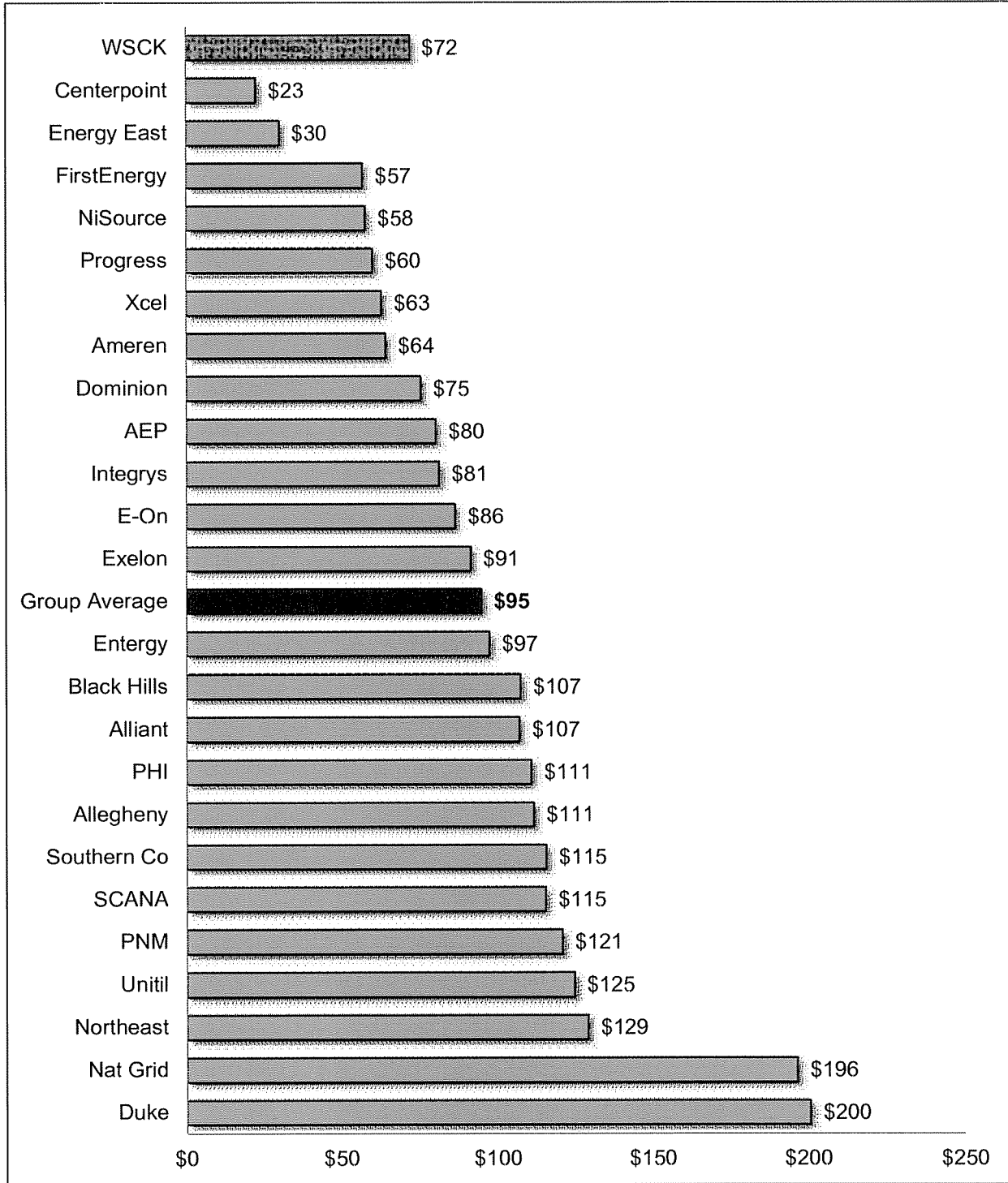
A&G expenses per regulated utility customer for the 24 utility companies that file Form 60 for 2009 are calculated in Schedule 1.

Schedule 2 shows WSCK's proposed rate case A&G costs per customer of \$72 is below the average of \$95 per customer for the comparison group service companies. Based on this result, it is possible to conclude that WSC's A&G charges to WSCK are reasonable.

Water Service Corporation of Kentucky
Comparison Group Service Company A&G Costs Per Customer

Utility Company	2009 Regulated		Cost per Customer
	Retail Service Company A&G Expenses	Regulated Retail Customers	
AEP	\$418,484,117	5,213,000	\$ 80
Allegheny	\$176,685,245	1,585,700	\$ 111
Alliant	\$149,116,475	1,395,189	\$ 107
Ameren	\$212,036,412	3,300,000	\$ 64
Black Hills	\$81,484,333	759,400	\$ 107
Centerpoint	\$119,304,604	5,300,000	\$ 23
Dominion	\$279,128,940	3,700,000	\$ 75
Duke	\$901,762,388	4,500,000	\$ 200
Energy East	\$89,580,962	2,973,000	\$ 30
Entergy	\$262,596,172	2,700,000	\$ 97
E-On	\$105,893,093	1,226,000	\$ 86
Exelon	\$537,633,122	5,886,000	\$ 91
FirstEnergy	\$255,874,712	4,500,000	\$ 57
Integrus	\$175,423,352	2,157,700	\$ 81
Nat Grid	\$1,314,902,105	6,700,000	\$ 196
NiSource	\$216,480,637	3,750,000	\$ 58
Northeast	\$269,948,801	2,095,000	\$ 129
PHI	\$215,465,623	1,946,000	\$ 111
Progress	\$186,256,921	3,100,000	\$ 60
PNM	\$87,998,259	729,700	\$ 121
SCANA	\$166,555,883	1,445,000	\$ 115
Southern Co	\$508,130,523	4,402,000	\$ 115
Unitil	\$21,115,280	169,600	\$ 125
Xcel	\$333,389,459	5,300,000	\$ 63
Group Total	\$7,085,247,416	74,833,289	\$ 95

**Water Service Corporation of Kentucky
Comparison of Service Company A&G Costs Per Customer**



Scope

The scope of this aspect of the study is focused on services provided by WSC management and professional personnel. WSC hourly workers are excluded because market information is not available for local contractors. Also excluded are WSCK customer service representatives since market costs for providers of call center services is not publicly available information.

Cost Comparison Methodology

WSC's charges assigned to WSCK were tested to determine if they were priced at the lower of cost or market. This was accomplished by comparing the cost per hour for WSC managerial and professional services to those of outside service providers to whom this work could be outsourced. Based on the nature of the WSC services, it was determined that the following outside providers could perform the categories of services indicated below:

- Management Consultants – executive and administrative management and human resources services
- Certified Public Accountants – accounting, information technology and rates/regulatory services
- Professional Engineers – operations, engineering, construction management
- Attorneys – legal

WSC's hourly rates were calculated for each service provider category, based on the dollars and hours charged to WSCK during the 12 months ended September 30, 2010. Hourly billing rates for outside service providers were developed using third party surveys or directly from information furnished by outside providers themselves.

WSC Hourly Rates

WSC's expenses assigned to WSCK were first analyzed to determine which are associated with the provision of management and professional services. This process is directed at creating a cost pool that contains the same type of expenses outside providers recover in the hourly billing rates. Exhibit 4 shows the results of this analysis. As summarized below, \$413,312 of WSC expenses are associated with the provision of management and professional services to WSCK and subject to a lower of cost or market comparison.

Testable WSC Charges	Amount
Salaries	\$ 290,849
Benefits	\$ 80,128
Other Expenses	\$ 42,335
Testable Total	\$ 413,312

**Water Service Corporation of Kentucky
Analysis of Y/E 9/30/2010 Operating and Maintenance Expenses by Account**

Allocated WSC Expenses			Excluded From Market Cost Study								
Account	9/30/2010	Included in Cost/Hour Calculation			Sal/Ben for Excluded Employees	Capital Costs	Outside Services	Travel Expenses	Non-Service Expenses		
Number	Description	Trial Balance	Labor	Benefits	Other Exp						
6010	Audit Fees	\$ 8,277					\$ 8,277				
6015	Employ Finder Fees	\$ 2,323			\$ 2,323						
6020	Engineering Fees	\$ -					\$ -				
6025	Legal Fees	\$ 2,541					\$ 2,541				
6035	Payroll Services	\$ 2,922					\$ 2,922				
6040	Tax Return Review	\$ 2,128					\$ 2,128				
6045	Tax Return Review	\$ 4,272					\$ 4,272				
6050	Temp Employ - Clerical	\$ 8,259					\$ 8,259				
	Total Outside Service Expense	\$ 30,721									
6065	Rate Case Amort Expense	\$ 55,885							\$ 55,885		
	Total Rate Case Expense	\$ 55,885									
6090	Rent	\$ 18,906			\$ 14,522				\$ 4,384		
	Total Rent Expense	\$ 18,906									
6110	Salaries -Acctg/Finance	\$ 33,780	\$ 290,849			\$ 342,072					
6120	Salaries -Officers/Skhlldr	\$ 41,790									
6125	Salaries -Hr	\$ 5,050									
6130	Salaries -Ms	\$ 8,070									
6135	Salaries -Leadership Ops	\$ 40,112									
6140	Salaries -Regulatory	\$ 26,858									
6145	Salaries -Customer Service	\$ 36,958									
6146	Salaries -Billing	\$ 6,842									
6147	Salaries -Corp Service Admi	\$ 1,372									
6150	Salaries -Operations Field	\$ 402,829									
6155	Salaries -Operations Office	\$ 29,259									
6165	Capitalized Time Adjustment	\$ (50,427)							\$ (50,427)		
	Total Salaries & Wages	\$ 582,494.10									
6185	Travel Lodging	\$ 3,351						\$ 3,351			
6190	Travel Airfare	\$ 1,370						\$ 1,370			
6195	Travel Transportation	\$ 369						\$ 369			
6200	Travel Meals	\$ 1,558						\$ 1,558			
6205	Travel Entertainment	\$ 237						\$ 237			
6207	Travel Other	\$ 0						\$ 0			
	Total Travel Expense	\$ 6,886									
6215	Fuel	\$ 24,269							\$ 24,269		
6220	Auto Repair/Tires	\$ 22,896							\$ 22,896		
6225	Auto Licenses	\$ 34							\$ 34		
6230	Other Trans Expenses	\$ (25)							\$ (25)		
	Total Fleet Transportation Expense	\$ 47,173									
6255	Test-Water	\$ 16,937							\$ 16,937		
6260	Test-Equip/Chemical	\$ 3,449							\$ 3,449		
6265	Test-Safe Water Drinking	\$ -							\$ -		
6270	Test-Sewer	\$ 4,494							\$ 4,494		
	Total Maintenance Testing	\$ 24,880									
6285	Water-Main Supplies	\$ 8,234							\$ 8,234		
6290	Water-Maint Repairs	\$ 26,860							\$ 26,860		
6295	Water-Main Breaks	\$ 636							\$ 636		
6300	Water-Elec Equipt Repair	\$ 899							\$ 899		
6310	Other Trans Expenses	\$ 5,514							\$ 5,514		
6320	Water-Other Maint Exp	\$ 1,421							\$ 1,421		
6325	Sewer-Maint Repairs	\$ 1,721							\$ 1,721		
6330	Sewer-Main Breaks	\$ -							\$ -		
6335	Sewer-Elec Equipt Repair	\$ -							\$ -		
6340	Sewer-Permits	\$ -							\$ -		
6345	Sewer-Maint Supplies	\$ 130							\$ 130		
6355	Sewer-Other Maint Exp	\$ 23,805							\$ 23,805		
6360	Deferred Maint Expense	\$ 10,112							\$ 10,112		
6370	Oper Contracted Workers	\$ 25							\$ 25		
6380	Communication Expense	\$ 0							\$ 0		
6385	Repairs & Maint-Maint, Land	\$ 2,122							\$ 2,122		
6390	Uniforms	\$ 1,309							\$ 1,309		
6400	Sewer Rodding	\$ 4,300							\$ 4,300		
6410	Sludge Hauling	\$ -							\$ -		
	Total Maintenance Expense	\$ 87,087									
6445	Deprec-Organization	\$ 2,562							\$ 2,562		
6455	Deprec-Struct & Imprv Src	\$ 2,258							\$ 2,258		
6460	Deprec-Struct & Imprv Wtp	\$ 9,034							\$ 9,034		
6465	Deprec-Struct & Imprv Dist	\$ -							\$ -		
6470	Deprec-Struct & Imprv Gen	\$ 2,592							\$ 2,592		
6485	Deprec-Wells & Springs	\$ 9,501							\$ 9,501		
6495	Deprec-Supply Mains	\$ 130							\$ 130		
6505	Deprec-Elec Pump Eqp Src P	\$ -							\$ -		
6510	Deprec-Elec Pump Eqp Wtp	\$ 11,916							\$ 11,916		
6515	Deprec-Elec Pump Eqp Trans	\$ 112							\$ 112		
6520	Deprec-Water Treatment Eqp	\$ 11,408							\$ 11,408		
6525	Deprec-Dist Resv & Standpi	\$ 10,456							\$ 10,456		

**Water Service Corporation of Kentucky
Analysis of Y/E 9/30/2010 Operating and Maintenance Expenses by Account**

Allocated WSC Expenses			Excluded From Market Cost Study							
Number	Account Description	9/30/2010 Trial Balance	Included in Cost/Hour Calculation			Sal/Ben for Excluded Employees	Capital Costs	Outside Services	Travel Expenses	Non-Service Expenses
			Labor	Benefits	Other Exp					
6530	Deprec-Trans & Distr Mains	\$ 59,097								\$ 59,097
6535	Deprec-Service Lines	\$ 13,574								\$ 13,574
6540	Deprec-Meters	\$ 13,757								\$ 13,757
6545	Deprec-Meter Installs	\$ 6,744								\$ 6,744
6550	Deprec-Hydrants	\$ 7,638								\$ 7,638
6555	Deprec-Backflow Prevent De	\$ -								\$ -
6575	Deprec-Oth Pit&Msc Eqp Di	\$ -								\$ -
6580	Weather/Hurricane Costs	\$ 3,278								\$ 3,278
6585	Deprec-Office Structure	\$ 2,181								\$ 2,181
6595	Deprec-Office Furn/Eqmt	\$ 5,179								\$ 5,179
6600	Deprec-Laboratory Equipmen	\$ 896								\$ 896
6610	Deprec-Tool Shop & Msc Eqm	\$ 2,086								\$ 2,086
6615	Deprec-Misc Equipment	\$ -								\$ -
6620	Deprec-Other Tang Pit Wate	\$ 1,400								\$ 1,400
6655	Deprec-Struct/Imprv Coll P	\$ -								\$ -
6660	Deprec-Struct/Imprv Pump	\$ -								\$ -
6670	Deprec-Struct/Imprv Rclm W	\$ -								\$ -
6680	Deprec-Struct/Imprv Gen Pl	\$ -								\$ -
6695	Deprec-Power Gen Equip Tre	\$ -								\$ -
6710	Deprec-Sewer Force Main/Sr	\$ 5								\$ 5
6715	Deprec-Sewer Gravity Main/	\$ 23								\$ 23
6725	Deprec-Services To Custome	\$ 0								\$ 0
6730	Deprec-Flow Measure Device	\$ -								\$ -
6735	Deprec-Flow Measure Instal	\$ -								\$ -
6745	Deprec-Pump Eqp Pump Pit	\$ 2								\$ 2
6750	Deprec-Pump Eqp Rclm Wtp	\$ -								\$ -
6760	Deprec-Treat/Disp Equip La	\$ 5								\$ 5
6765	Deprec-Treat/Disp Eq Trt P	\$ -								\$ -
6775	Deprec-Plant Sewers Trtmt	\$ -								\$ -
6800	Deprec-Other Pit Pump	\$ -								\$ -
6830	Deprec-Stores Equipment	\$ -								\$ -
6835	Deprec-Tool Shop & Msc Eq	\$ -								\$ -
6840	Deprec-Laboratory Eqpt	\$ -								\$ -
6845	Deprec-Power Operated Equi	\$ -								\$ -
6850	Deprec-Communication Eqpt	\$ -								\$ -
6855	Deprec-Misc Equip Sewer	\$ -								\$ -
6885	Deprec-Reuse Dist Reservo	\$ -								\$ -
6890	Deprec-Reuse Transm / Dist	\$ -								\$ -
	Total Depreciation	\$ 175,832								\$ -
6905	Deprec-Auto Trans	\$ 28,595								\$ 28,595
	Total Deprec-Auto Trans	\$ 28,595								\$ -
6920	Deprec-Computer	\$ 86,070								\$ 86,070
	Total Deprec-Computer	\$ 86,070								\$ -
6960	Amort Of Util Paa-Water	\$ (3,660)								\$ (3,660)
	Total Amort of Utility Paa-Water	\$ (3,660)								\$ -
7160	Amort-Other Tangible Pit W	\$ (1,491)								\$ (1,491)
7165	Amort-Water-Tap	\$ (46)								\$ (46)
7185	Amort-Wtr Pit Mir Fee	\$ -								\$ -
7225	Amort-Struct/Imprv Pump Pl	\$ -								\$ -
7245	Amort-Struct/Imprv Gen Pit	\$ -								\$ -
7275	Amort-Sewer Force Main/Srv	\$ -								\$ -
7280	Amort-Sewer Gravity Main	\$ -								\$ -
	Total Amortization	\$ (1,536)								\$ -
7510	FICA Expense	\$ 44,786		\$ 20,581		\$ 24,205				\$ -
7515	Federal Unemployment Tax	\$ 820		\$ 377		\$ 443				\$ -
7520	State Unemployment Tax	\$ 5,417		\$ 2,489		\$ 2,927				\$ -
	Total Payroll Taxes	\$ 51,023								\$ -
7535	Franchise Tax	\$ 7,189								\$ 7,189
7540	Gross Receipts Tax	\$ -								\$ -
7545	Personal Property/Ict Tax	\$ 27,376								\$ 27,376
7550	Property/Other General Tax	\$ 33,411								\$ 33,411
7555	Real Estate Tax	\$ 23,827								\$ 23,827
7570	Utility/Commission Tax	\$ 2,624								\$ 2,624
	Total Property And Other Tax Expense	\$ 94,427								\$ -
7595	Def Income Tax-Federal	\$ 71,135								\$ 71,135
7600	Def Income Taxes-State	\$ 15,747								\$ 15,747
7605	Income Taxes-Federal	\$ (176,483)								\$ (176,483)
7610	Income Taxes-State	\$ (7,835)								\$ (7,835)
	Total Income Tax Expense	\$ (97,436)								\$ -
	Total O&M Expenses	\$ 1,930,803	\$ 290,849	\$ 80,128	\$ 42,335	\$ 436,311	\$ (50,427)	\$ 28,399	\$ 6,886	\$ 1,096,322
						\$1,930,803				

IV – Lower of Cost or Market Pricing

The following WSC expenses were excluded from the market cost comparison because they are not related to services provided by Northbrook and regional office personnel:

- Salaries, Benefits and Payroll Taxes of Hourly Employees – These charges represent personnel costs associated with local WSCK operations and maintenance staff and customer service representatives in the Middlesboro, Kentucky regional office.
- Capital Costs – Are not related to the provision of services to WSCK.
- Outside Services – These expenses are not associated with the cost of WSC personnel performing services for WSCK. Charges from outside professional firms to perform certain corporate-wide services (e.g., legal, financial audit, tax return review) represent services that have, in effect, already been outsourced by WSC.
- Travel Expenses - In general, client-related travel expenses are not recovered by outside service providers through their hourly billing rates. Rather, actual out-of-pocket travel expenses are billed to clients in addition to fees for professional services. Thus, it is appropriate to remove these charges from the WSC hourly rate calculation.
- Non-Services Expenses – The remaining excluded expenses are associated with: (1) materials and postage associated with printing and mailing of customer bills, (2) Kentucky operations-related expenses (3) general ledger hardware and software expenses, (3) depreciation expenses and (4) taxes.

Each WSC position was next assigned to the outside service provider to whom their work could be outsourced. Exhibit 4 shows the results of this analysis. This designation was used to assign each position's salary and hours to the four outside provider cost pools.

Exhibit 4 shows four WSC positions designated as administrative support personnel. Outside service providers typically recover the cost of these personnel through the hourly rates of professional staff. For purposes of the WSC hourly rate calculation, administrative staff salaries are considered an overhead that are "loaded" onto management and professional hourly rates.

Water Service Corporation of Kentucky Assignment of WSC Positions To Outside Provider Categories

Location	Group	WSC Position Whose Salary Is Charged to WSC	Assignment to Outside Provider Category				Admin Support
			Management Consultant	Certified Public Accountant	Professional Engineer	Attorney	
Northbrook	Regulatory	Regulatory Staff Accountant II		X			
Northbrook	Billing	Billing Manager		X			
Northbrook	Regulatory	Regulatory Staff Accountant I		X			
Northbrook	Regulatory	Regulatory Staff Accountant I		X			
Northbrook	Officer	President & CEO	X				
Northbrook	Finance / Accounting	Senior Fixed Asset Accountant		X			
Northbrook	Finance / Accounting	AP Supervisor		X			
Northbrook	Regulatory	Regulatory Accounting Manager		X			
Northbrook	Regulatory	Director, Governmental Affairs	X				
Northbrook	Finance / Accounting	Director, Tax & Accounting Operations		X			
Northbrook	Finance / Accounting	Chief Operating Officer	X				
Northbrook	Finance / Accounting	Corporate Staff Accountant I		X			
Northbrook	Finance / Accounting	Corporate Accounting Manager		X			
Northbrook	Billing	Asst. Manager of Billing		X			
Northbrook	Officer	Chief Financial Officer	X				
Northbrook	Finance / Accounting	Payroll Supervisor		X			
Northbrook	Regulatory	Regulatory Staff Accountant I		X			
Northbrook	Regulatory	Regulatory Staff Accountant II		X			
Northbrook	IT	IT Manager		X			
Northbrook	Finance / Accounting	Senior Corporate Accountant		X			
Northbrook	Finance / Accounting	Senior Regulatory Accountant		X			
Northbrook	Finance / Accounting	Financial Planning & Analysis Manager	X				
Northbrook	Administration	Executive Assistant					X
Northbrook	Finance / Accounting	Tax Specialist		X			
Northbrook	Billing	Billing Specialist		X			
Northbrook	Regulatory	Senior Regulatory Accountant		X			
Northbrook	IT	Network Administrator		X			
Northbrook	Officer	VP, General Counsel				X	
Northbrook	Regulatory	Regulatory Accounting Manager		X			
Northbrook	Regulatory	Regulatory Staff Accountant I		X			
Northbrook	HR	Human Resources Generalist	X				
Northbrook	Administration	Operations Administration Manager			X		
Northbrook	HR/ Payroll	Payroll/HR Administrator	X				
Northbrook	IT	Desktop Support Analyst II		X			
Northbrook	Administration	Operations Administrator			X		
Northbrook	Administration	Regulatory Assistant		X			
Northbrook	Administration	Receptionist					X
Northbrook	Finance / Accounting	Senior Corporate Accountant		X			
Northbrook	Administration	Compliance & Safety Coordinator			X		
Northbrook	IT	Desktop Support Analyst II		X			
Northbrook	Finance / Accounting	Senior Financial Analyst		X			
Northbrook	Finance / Accounting	Capital Projects Analyst		X			
Northbrook	Officer	VP, Corporate Development	X				
Northbrook	Regulatory	Executive Director, Regulatory Affairs	X				
Northbrook	Finance / Accounting	Corporate Services Manager	X				
Northbrook	HR	Benefits Administrator	X				
Northbrook	Regulatory	Regulatory Staff Accountant I		X			
Northbrook	Administration	Process & Performance Manager	X				
Northbrook	HR	HR Manager	X				
Northbrook	Administration	Mail Clerk					X
Kentucky Operations	Operations	Regional Manager			X		
Kentucky Operations	Operations	Area Manager - JCT			X		
Regional Offices	Operations	Regional Director	X				
Regional Offices	Officer	Regional Vice President	X				
Regional Offices	Administration	Executive Assistant					X
Regional Offices	Finance / Accounting	Regional Finance Manager		X			
Regional Offices	Administration	Regional Compliance & Safety Manager			X		

IV – Lower of Cost or Market Pricing

Shown below is the calculation of the overheads that are applied to management and professional salaries for purposes of calculating WSC's hourly rates.

	Amount	% of Mgmt & Prof Salaries
Salaries		
Management & Professional	\$ 281,689	
Administrative Support	\$ 9,160	3.3%
Total Salaries	\$ 290,849	
Benefits	\$ 80,128	28.4%
Other Expenses	\$ 42,335	15.0%
Total Testable Expenses	\$ 413,312	

Based on the assignment of market testable WSC expenses and hours to the four outside provider categories, WSC's hourly rates for the 12 months ended September 30, 2010 are calculated below.

	Management Consultant	Certified Public Accountant	Professional Engineer	Attorney	Total
Management/Professional Salaries	\$ 93,134	\$ 64,282	\$ 117,576	\$ 6,697	\$ 281,689
Overhead Items:					
Benefits (28.4%)	\$ 26,492	\$ 18,285	\$ 33,445	\$ 1,905	\$ 80,128
Other Expenses (15.0%)	\$ 13,997	\$ 9,661	\$ 17,671	\$ 1,007	\$ 42,335
Administrative Staff Salaries (3.3%)	\$ 3,029	\$ 2,090	\$ 3,823	\$ 218	\$ 9,160
Total Cost Pool	\$ 136,652	\$ 94,318	\$ 172,515	\$ 9,827	\$ 413,312
Management and Professional Hours	1,180	1,783	3,735	55	6,753
Average Hourly Rate	\$ 116	\$ 53	\$ 46	\$ 180	

Outside Service Provider Hourly Rates

The next step in the cost comparison was to obtain the average billing rates for each outside service provider. The source of this information and the determination of the average rates are described in the paragraphs that follow.

Management Consultants

The cost per hour for management consultants was developed from the 2010 annual survey performed by the Association of Management Consulting Firms—an industry trade organization. The first step in the calculation, presented in Exhibit 6, was to determine an average rate by consultant position. From these rates, a single weighted average hourly rate was calculated based upon the percent of time that is typically applied to a consulting assignment by each consultant position. Consultants typically do not limit their practice to any one region and must travel to a client's location. Thus, the U.S. national average is appropriate for comparison. This survey includes rates that were in effect at December 31, 2009 for firms in the United States. This 2009 average rate was escalated to March 31, 2010—the midpoint of the 12 months ended September 30, 2010 test year.

Certified Public Accountants

The average hourly rate for Kentucky certified public accountants was developed from a 2010 survey conducted by the American Institute of Certified Public Accountants (AICPA) every two years. Hourly rates in the AICPA survey are the average of firms in Kentucky. The average hourly rate was calculated for a range of accountant positions, as shown in Exhibit 7. Based on a typical staff assignment by each accountant position, a weighted average hourly rate was calculated. This survey covered hourly rates in effect during 2009. Thus, the 2009 average rate was escalated to March 31, 2010—the midpoint of the 12 months ended September 30, 2010 test year.

Professional Engineer

The association for professional civil engineers, the American Society of Civil Engineers, does not survey its members' billing rates. Neither does the National Society of Professional Engineers, the association for the entire engineering profession. Thus, 2010 hourly rates for Kentucky professional engineers were obtained Baryenbruch & Company, LLC's database. As shown in Exhibit 8, an average rate was developed for each engineering position. Then, using a typical percentage mix by position for a typical engineering project, a weighted average cost per hour was calculated.

Attorneys

The Kentucky Bar Association does not survey its members as to their hourly billing rates. In addition, publicly available billing rate information could not be found for Kentucky attorneys. Therefore, an estimate of Kentucky attorney rates was developed from surveys of Missouri and Michigan lawyers conducted annually by the publications, Missouri Lawyers Weekly and Michigan Lawyers Weekly. As presented in Exhibit 9, the average rate for each Missouri and Michigan firm respondent was adjusted for the cost of living differential between their location and Middlesboro, Kentucky. The survey includes hourly rates that were in effect at December 31, 2009. Thus, the 2009 average rate was escalated to March 31, 2010—the midpoint of the 12 months ended September 30, 2010.



Water Service Corporation of Kentucky
2010 Billing Rates of U.S. Management Consultants

Survey billing rates in effect in 2009 (Note A)						
A. Calculation of Average Hourly Billing Rate by Consultant Position						
	Average Hourly Rates (Note A)					
	Entry-Level Consultant	Associate Consultant	Senior Consultant	Junior Partner	Senior Partner	
Average	\$ 155	\$ 215	\$ 279	\$ 328	\$ 413	
B. Calculation of Overall Average Hourly Billing Rate Based on a Typical Distribution of Time on an Engagement						
	Entry-Level Consultant	Associate Consultant	Senior Consultant	Junior Partner	Senior Partner	
Average Hourly Billing Rate (from above)	\$ 155	\$215	\$279	\$328	\$413	
Percent of Consulting Assignment	30%	30%	20%	10%	10%	Weighted Average
	\$ 46	\$ 64	\$ 56	\$ 33	\$ 41	\$ 240
<u>Escalation to Test Period Midpoint (March 31, 2010) (Note B)</u>						
						CPI at December 31, 2009
						216.0
						CPI at March 31, 2010
						217.6
						Inflation/Escalation
						0.7%
Average Hourly Billing Rate For Management Consultants At March 31, 2010						\$ 242

Note A: Source is "Operating Ratios For Management Consulting Firms, 2010 Edition," Association of Management Consulting Firms

Note B: Source is U.S. Bureau of Labor Statistics (<ftp://ftp.bls.gov/pub/special.requests/cpi/cpiai.txt>)

**Water Service Corporation of Kentucky
2010 Billing Rates Of Kentucky Certified Public Accountants**

Survey billing rates were those in effect in 2009 (Note A)

Type of Firm	Average Hourly Billing Rate (Note A)			
	Staff Accountant	Senior Accountant	Manager	Partner
Average Hourly Rate	\$ 83	\$ 101	\$ 144	\$ 172

B. Calculation of Overall Average Accountant Billing Rate Based Upon Typical Distribution of Time on an Engagement

Type of Firm	Staff Accountant	Senior Accountant	Manager	Partner	Weighted Average
	Average Hourly Billing Rate (From Above)	\$ 83	\$ 101	\$ 144	
Typical Percent of Time Spent on an Accounting Assignment	30%	30%	20%	20%	
	\$ 25	\$ 30	\$ 29	\$ 34	\$ 118

Escalation to Midpoint of March 31, 2010 Test Period (Note B)	
CPI at December 31, 2009	215.9
CPI at March 31, 2010	217.6
Inflation/Escalation	0.8%
Average Hourly Billing Rate For CPAs At March 31, 2010	\$ 119

Note A: Source is AICPA's 2010 National PCPS/TSCPA Management of an Accounting Practice Survey (Kentucky edition)

Note B: source is US Bureau of Labor Statistics (<ftp://ftp.bls.gov/pub/special.requests/cpi/cpiiai.t>)

**Water Service Corporation of Kentucky
2010 Billing Rates Of Kentucky Professional Engineers**

A. Calculation of Average Hourly Rate by Engineer Position					
Name of Firm	Average Hourly Billing Rates				
	Technician Senior Technician	Engineer Design Engineer Project Engineer	Project Manager Sr. Mgr. Engineer	Officer Principal Engineer	
Firm #1	\$80	\$89	\$112	\$181	
Firm #2	\$79	\$86	\$140	\$170	
Firm #3	\$83	\$105	\$167	\$214	
Firm #4	\$57	\$89	\$144	\$197	
B. Calculation of Overall Average Engineering Hourly Billing Rate					
Average Hourly Billing Rate (From Above)	Technician Senior Technician	Engineer Design Engineer Project Engineer	Project Manager Sr. Mgr. Engineer	Officer Principal Engineer	
	\$75	\$92	\$141	\$190	
Typical Percent of Time on an Engineering Assignment	30%	35%	25%	10%	Weighted Average
	\$22	\$32	\$35	\$19	\$109

Source: Baryenbruch & Company, LLC database

**Water Service Corporation of Kentucky
2010 Estimated Billing Rates Of Kentucky Attorneys**

Billing rates during 2009		Billing Rate Range (A)					Average	Cost of Living Adjust (B)	Adjusted Rate
Firm	Location	Associate		Partner					
		Low	High	Low	High				
Dickinson Wright	Detroit, Mi	\$ 195	\$ 275	\$ 355	\$ 575	\$ 350	116%	\$ 302	
Dykema	Detroit, Mi	\$ 185	\$ 425	\$ 295	\$ 615	\$ 380	116%	\$ 328	
Butzel Long	Detroit, Mi	\$ 175	\$ 325	\$ 250	\$ 600	\$ 338	116%	\$ 291	
Jaffe Raitt Heuer & Weiss	Southfield, Mi	\$ 175	\$ 250	\$ 225	\$ 550	\$ 300	116%	\$ 259	
Brooks Kushman	Southfield, Mi	\$ 180	\$ 275	\$ 300	\$ 425	\$ 295	116%	\$ 254	
Kemp, Klein, Umphrey, Edelman & Ma	Troy, Mi	\$ 145	\$ 260	\$ 200	\$ 350	\$ 239	116%	\$ 206	
Rader, Fishman & Grauer	Bloomfield Hills, Mi	\$ 130	\$ 250	\$ 275	\$ 550	\$ 301	116%	\$ 260	
Williams, Williams, Rattner & Plunkett	Birmingham, Mi	\$ 150	\$ 250	\$ 275	\$ 450	\$ 281	116%	\$ 243	
Abbott, Nicholson, Quilter, Esshaki,	Detroit, Mi	\$ 150	\$ 220	\$ 300	\$ 375	\$ 261	116%	\$ 225	
Parmenter O'Toole	Muskegon, Mi			\$ 125	\$ 275	\$ 200	105%	\$ 191	
Lipson, Neilson, Cole, Seltzer & Garin	Bloomfield Hills, Mi	\$ 185	\$ 235	\$ 225	\$ 300	\$ 236	116%	\$ 204	
Berman DeLeve Kuchan & Chapman	Kansas City, Mo			\$ 250	\$ 250	\$ 250	110%	\$ 227	
Boggs, Avellino, Lach & Boggs	St. Louis, Mo			\$ 160	\$ 160	\$ 160	102%	\$ 157	
Bryan Cave	Kansas City, Mo	\$ 200	\$ 200	\$ 385	\$ 435	\$ 305	110%	\$ 277	
Danna McKittrick	St. Louis, Mo			\$ 300	\$ 300	\$ 300	102%	\$ 295	
David Shroeder Law Offices	Springfield, Mo			\$ 260	\$ 260	\$ 260	100%	\$ 259	
Dobson, Goldberg, Berns & Rich	St. Louis, Mo			\$ 300	\$ 425	\$ 363	102%	\$ 356	
Dunn & Davison	Kansas City, Mo			\$ 225	\$ 225	\$ 225	110%	\$ 204	
Evans Partnership	St. Louis, Mo			\$ 175	\$ 175	\$ 175	102%	\$ 172	
Greensfelder Hemker & Gale	St. Louis, Mo			\$ 235	\$ 300	\$ 268	102%	\$ 263	
Husch Blackwell Sanders	Kansas City, Mo	\$ 204	\$ 345	\$ 356	\$ 472	\$ 344	110%	\$ 312	
Karfeld Law Firm	St. Louis, Mo			\$ 265	\$ 265	\$ 265	102%	\$ 260	
Krigel & Krigel	Kansas City, Mo	\$ 175	\$ 225	\$ 200	\$ 250	\$ 213	110%	\$ 193	
Law Office of Brad Goss	St. Charles, Mo			\$ 175	\$ 175	\$ 175	102%	\$ 172	
Law Offices of George A. Barton	Kansas City, Mo	\$ 300	\$ 400	\$ 400	\$ 600	\$ 425	110%	\$ 385	
McDowell, Rice, Smith & Buchann	Kansas City, Mo			\$ 425	\$ 425	\$ 425	110%	\$ 385	
Neil Weintraub, Attorney at Law	St. Louis, Mo			\$ 260	\$ 260	\$ 260	102%	\$ 255	
Pennington Shea	St. Louis, Mo			\$ 190	\$ 260	\$ 225	102%	\$ 221	
Pletz and Reed	Jefferson City, Mo	\$ 150	\$ 150	\$ 180	\$ 180	\$ 165	104%	\$ 158	
Polsinelli Shughart	Kansas City, Mo	\$ 210	\$ 350	\$ 380	\$ 600	\$ 385	110%	\$ 349	
Raymond I. Plaster	Springfield, Mo			\$ 275	\$ 275	\$ 275	100%	\$ 274	
Shook, Hardy & Bacon	Kansas City, Mo	\$ 265	\$ 265	\$ 425	\$ 425	\$ 345	110%	\$ 313	
Speer Law Firm	Kansas City, Mo	\$ 400	\$ 400	\$ 500	\$ 500	\$ 450	110%	\$ 408	
Spencer Fane Britt & Browne	Kansas City, Mo	\$ 150	\$ 325	\$ 310	\$ 470	\$ 314	110%	\$ 284	
Stanton & Redlingshafer	Kansas City, Mo			\$ 195	\$ 195	\$ 195	110%	\$ 177	
Stinson Morrison Hecker	Kansas City, Mo	\$ 195	\$ 195	\$ 350	\$ 445	\$ 296	110%	\$ 269	
The Sader Law Firm	Kansas City, Mo	\$ 225	\$ 235	\$ 265	\$ 265	\$ 248	110%	\$ 224	
Thompson Coburn	St. Louis, Mo	\$ 200	\$ 200	\$ 480	\$ 480	\$ 340	102%	\$ 334	
Overall Cost-of-Living Adjusted Average 2009 Billing Rate								\$ 262	
<u>Escalation to Test Period Midpoint (March 31, 2010) (Notes B, C)</u>									
CPI at December 31, 2009								216.0	
CPI at March 31, 2010								217.6	
Inflation/Escalation								0.7%	
Average Hourly Billing Rate For Attorneys At March 31, 2010								\$ 264	

Note A: Source is Michigan Lawyers Weekly and Missouri Lawyers Weekly

Note B: Source is Council for Community and Economic Research. This percentage represents the cost of living difference between the Michigan and Missouri cities and Middlesboro, Ky. A number over 100% indicates the Michigan or Missouri city's cost of living is higher than Middlesboro. A number less than 100% indicates Middlesboro's cost of living is higher.

Note C: source is US Bureau of Labor Statistics (<ftp://ftp.bls.gov/pub/special.requests/cpi/cpiat.txt>)

IV – Lower of Cost or Market Pricing

WSC – Outside Provider Cost Comparison

As shown in the table below, WSC costs per hour are significantly lower than those of outside providers during the 12 months ended September 30, 2010.

Service Provider	WSC	Outside Provider	Difference-- WSC Greater(Less) Than Outside
Management Consultant	\$ 116	\$ 242	\$ (126)
Certified Public Accountant	\$ 53	\$ 119	\$ (66)
Professional Engineer	\$ 46	\$ 109	\$ (63)
Attorney	\$ 180	\$ 264	\$ (84)

Based on these cost per hour differentials and the number of hours billed to WSCK, outside service providers would have cost WSCK and its rate payers \$506,835 or 123% ($\$506,835 / \$413,312$) more than the cost of WSC's services during the 12 months ended September 30, 2010.

Service Provider	Hourly Rate Difference-- WSC Greater(Less) Than Outside	WSC Hours Charged	Dollar Difference
Management Consultant	\$ (126)	1,180	\$ (149,291)
Certified Public Accountant	\$ (66)	1,783	\$ (118,447)
Professional Engineer	\$ (63)	3,735	\$ (234,502)
Attorney	\$ (84)	55	\$ (4,595)
WSC Less Than Outside Providers			\$ (506,835)

Analysis of Services

The final aspect of this study was an assessment of whether the services that are provided to WSCK by WSC would be necessary if WSCK were a stand-alone water utility. The first step in this evaluation was to determine specifically what the WSC does for WSCK. Based on discussions with WSC personnel, the matrix in Exhibit 9 was created showing which entity—WSCK or a WSC location—is responsible for each of the functions WSCK requires to ultimately provide service to its customers. This matrix was reviewed to determine: (1) if there was redundancy or overlap in the services being provided by WSC and (2) if WSC services are typical of those needed by a stand-alone water utility.

Upon review of Exhibit 9, the following conclusions can be drawn:

- The services that WSC provides are necessary and would be required even if WSCK were a stand-alone water utility.
- There is no redundancy or overlap in the services provided by WSC to WSCK. For all of the services listed in Exhibit 9, there was only one entity that was primarily responsible for the service.

Water Service Corporation of Kentucky Designation Of Responsibility For Water And Waste Water Utility Functions

Primarily Responsible P Provides Support S	Water Services Corporation Location Performing Work			
	Kentucky Offices	Charlotte, NC Regional Office	Cust Service Offices	Northbrook, IL Headquarters
Water and Waste Water Function				
Engineering and Construction Management				
Long Term System Planning	S	P	S	S
Engineering Standards & Policies Development	S	S		P
Project Design				
Major Projects (e.g., new treatment plant)	S	P	S	S
Minor Projects (e.g., pipelines)	P	S	S	
Construction Project Management				
Major Projects	P	S	S	S
Minor Projects	P	S	S	
Hydraulics Review	P	S	S	
Developers Extensions	S	P	S	S
Tank Painting	P	S	S	
Water Quality and Purification				
Water Quality Standards Development	P	S	S	S
Research Studies				P
Water Quality Program Implementation	P	S		S
Water Treatment Operations & Maintenance	P	S		
Compliance Sampling	P	S		
Testing/Other Sampling	P	S		
Transmission and Distribution				
Preventive Maintenance Program Development	P	S		S
System Maintenance	P	S		
Leak Detection	P	S		
Customer Service				
Community Relations	P	S	S	
Customer Contact	P (direct)		P (phone)	S
Call Processing	S		P	
Service Order Creation	S		P	
Service Order Processing	S		P	
Customer Credit			P	
Meter Reading	P		S	
Customer Bill Preparation			S	P
Bill Collection	S		P	
Customer Payment Processing		P	S	
Meter Standards Development	S	P	S	
Meter Testing, Maintenance & Replacement	P	S	S	
Financial Management				
Financial Planning				P
Financings—Equity				P
Financings--Long Term Debt & Preferred				P
Short Term Lines of Credit Arrangements				P
Insurance Program Administration				P
Loss Control/Safety Program Administration				P
Pension Fund Asset Management				P
Cash Management/Disbursements				P
Rates				
Rate Studies & Tariff Change Administration		S	S	P
Rate Case Planning and Preparation	S	S	S	P
Rate Case Administration	S	S	S	P
Commission Inquiry Response	S	S	S	P

**Water Service Corporation of Kentucky
Designation Of Responsibility For Water And Waste Water Utility Functions**

Primarily Responsible P Provides Support S	Water Services Corporation Location Performing Work			
	Kentucky Offices	Charlotte, NC Regional Office	Cust Service Offices	Northbrook, L Headquarters
Water and Waste Water Function				
Budgeting and Variance Reporting				
Corporate Guidelines & Instructions				P
Regional Guidelines & Instructions		P		S
Operating Budget Preparation				
Revenue		S		P
O&M	S	S		P
Service Company Charges				P
Depreciation and Interest Expense				P
Capital Budget Preparation	S	S		P
Project Work	S	P	S	S
Non-Project Work	P	S	S	
Operating Budget Variance Report Preparation		S		P
Capital Budget Variance Report Preparation		S		P
Year-End Projections		S		P
Accounting and Taxes				
Accounts Payable Accounting				P
Payroll Accounting				P
Work Order Accounting				P
Fixed Asset Accounting				P
Journal Entry Preparation--Billing Corrections				P
Journal Entry Preparation--All Others				P
Financial Statement Preparation				P
State Commission Reporting				P
Income Taxes--State				P
Income Taxes--Federal				P
Property Taxes	S	S	S	P
Gross Receipts Taxes				P
Legal				P
Purchasing and Materials Management				
Specification Development	S	P	S	
Bid Solicitation	P	S	S	
Contract Administration	P	S	S	
Ordering	P	S	S	
Inventory Management	P	S	S	
Human Resources Management				
Benefit Program Development				P
Benefits Program Administration				P
Management Compensation Administration				P
Wage & Salary Program Design				P
Wage & Salary Administration	S	S	S	P
Labor Negotiations--Wages				P
Labor Negotiations--Benefits				P
Labor Negotiations--Work Rules		S		P
Training Program Development	S	S	S	P
Training--Course Delivery	P	S		S
Affirmative Action/EEO--Plan Development				P
Affirmative Action/EEO--Implementation	S	S	S	P
Information Technology Services				
Service Company Data Centers				P
System Operations & Maintenance				P
Software Maintenance				P
Network Administration				P
PC Acquisition & Support				P
Help Desk				P