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PROFESSIONAL SERVICE CORPORATION  
124 WEST TODD STREET  
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TELEFAX (502) 875-7059

November 3, 2005

Beth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

RECEIVED

NOV 03 2005

PUBLIC SERVICE  
COMMISSION

Re: Case No. 2005-00325

Dear Ms. O'Donnell:

Please file the following responses to the Commission's letter of October 11, 2005.

1. A copy of the articles of incorporation referenced in the application is attached.
2. The tariffs filed with the application had an effective date of October 30, 2005, which was 30 days from the filing of the application. However, due to the delay in the Commission's acceptance of the filing, a new cover sheet for the tariffs is filed with an effective date of December 5, 2005. A deviation from filing a complete set of tariffs is requested based on 807 KAR 5:001(14).
3. The notice published in the newspapers in Clinton and Middlesboro specified the effect on the average customer's bill and the percentage increase in the proposed rate. The company's tariffs do not distinguish between classes of customers. Original Sheet 41 of the tariffs state that service is available for "General Domestic, Commercial and Industrial services..." There is no separate class for residential, commercial, industrial or wholesale customers as appears in many tariffs. All customers pay according to meter sizes, which are not segregated by customer class.

The company serves predominately customers through 5/8 inch meters. Therefore, the vast majority of customers have been informed of the effect on their average bill.

Therefore, the notice complies with the requirement of the regulation. The notice is also consistent with similar notices accepted by the Commission. Attached are two notices that do not provide a percentage increase for each meter size.

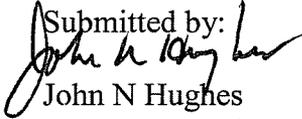
For these reasons, the company requests that its notices be accepted. In the alternative, the company requests a deviation pursuant to 807 KAR 5:001(14) from any part of the regulation that the Commission determines has not been met.

4. A summary of the calculation of the revenue requirement is attached.

5. A reconciliation of rate base and revenue requirements is attached.

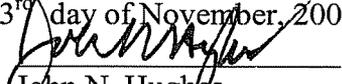
6. The company has not performed a depreciation study, but has determined appropriate useful lives for classes of plant accounts, which are attached. The company requests a deviation pursuant to 807 KAR 5:001(14) from the requirement of preparation of a depreciation study.

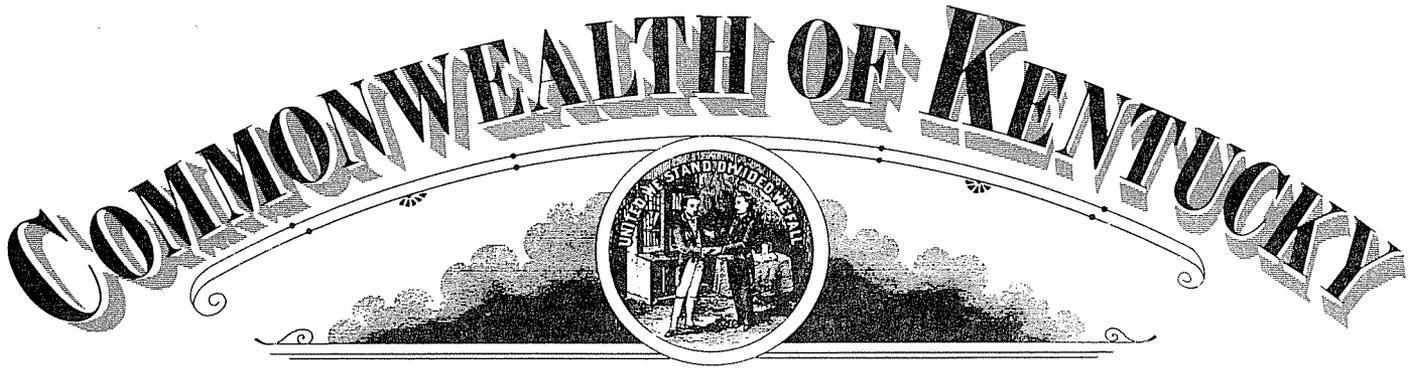
The company requests that the Commission accept this supplemental information as adequate to complete the application and to accept the application as filed as of the date of this response.

Submitted by:  
  
John N Hughes  
124 West Todd St.  
Frankfort, KY 40601  
502 227-7270  
Attorney for Water Service  
Corporation of Kentucky

Certificate of service:

I certify that a copy of this filing was served on the Attorney General, 1024 Capital Center Dr., Frankfort, KY 40601 by first class mail on the 3<sup>rd</sup> day of November, 2005.

  
John N. Hughes



**Trey Grayson**  
**Secretary of State**

**Certificate of Existence**

I, Trey Grayson, Secretary of State of the Commonwealth of Kentucky, do hereby certify that according to the records in the Office of the Secretary of State,

**WATER SERVICE CORPORATION OF KENTUCKY**

is a corporation duly incorporated and existing under KRS Chapter 271B, whose date of incorporation is April 12, 2002 and whose period of duration is perpetual.

I further certify that all fees and penalties owed to the Secretary of State have been paid; that articles of dissolution have not been filed; and that the most recent annual report required by KRS 271B.16-220 has been delivered to the Secretary of State.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Official Seal at Frankfort, Kentucky, this 19th day of October, 2005.



*Trey Grayson*

Trey Grayson  
Secretary of State  
Commonwealth of Kentucky  
Rlong/0534921 - Certificate ID: 21469

**0534921.09**

CDunes  
PAOI

John Y. Brown III  
Secretary of State  
Received and Filed

04/12/2002 04:21 PM

Fee Receipt: \$50.00

**ARTICLES OF INCORPORATION**

**OF**

**WATER SERVICE CORPORATION OF KENTUCKY**

**KNOW ALL MEN BY THESE PRESENTS:**

That the undersigned incorporator voluntarily forms a Corporation under the laws of the Commonwealth of Kentucky.

**ARTICLE I**

The name of the Corporation is **WATER SERVICE CORPORATION OF KENTUCKY.**

**ARTICLE II**

The duration of the Corporation shall be perpetual.

**ARTICLE III**

The purpose and nature of the business proposed to be carried on shall be such activities as are legal under the laws of the Commonwealth of Kentucky and shall include all of the activities set forth in the Kentucky Business Corporation Act, including, but not limited to, the following:

To engage in the business of owning and operating water and wastewater utility systems; to provide contract management services for water and wastewater utility systems; and to engage in any other lawful business pursuits that may be advantageously pursued.

#### **ARTICLE IV**

The authorized capital stock of the Corporation shall be one thousand (1,000) shares of no-par common stock, and each shall be entitled to one vote. The owners of such stock shall be entitled, as a matter of right, to purchase or subscribe for any stock which the Corporation may issue or sell, regardless of when or how authorized and when or how acquired, pro rata, in relation to their then current stock ownership.

#### **ARTICLE V**

The address of the initial registered office in this state is 112 N. Lincoln Blvd., Hodgenville, LaRue County, Kentucky 42748, and the name of its initial registered agent at such address is **DAMON R. TALLEY**.

#### **ARTICLE VI**

The mailing address of the Corporation's principal office is 2335 Sanders Road, Northbrook, Illinois 60062-6196.

#### **ARTICLE VII**

The number of Directors constituting the initial Board of Directors is one (1), and the name and address of the person who is to serve as Director until the first annual meeting of shareholders or until his successor is elected and shall qualify is:

<u>Name</u>	<u>Address</u>
James L. Camaren	2335 Sanders Road Northbrook, Illinois 60062-6196

**ARTICLE VIII**

The name and address of the sole incorporator are as follows:

<u>Name</u>	<u>Address</u>
Damon R. Talley	112 N. Lincoln Blvd. Hodgenville, Kentucky 42748

**ARTICLE IX**

The private property of the shareholders shall not be subject to the payment of the debts of the Corporation.

Given under my hand this 10<sup>th</sup> day of APRIL, 2002.

  
\_\_\_\_\_  
DAMON R. TALLEY

STATE OF KENTUCKY

COUNTY OF LARUE

I, the undersigned Notary Public, do hereby certify that on this 10<sup>th</sup> day of April, 2002, personally appeared before me Damon R. Talley who being by me first duly sworn, declared that he is the sole incorporator of **WATER SERVICE CORPORATION OF KENTUCKY**; that he signed the foregoing document as the sole incorporator of the Corporation; and that the statements contained herein are true.

*Damon R. Talley*  
NOTARY PUBLIC, State at Large

MY COMMISSION EXPIRES: 10/5/2004

THIS INSTRUMENT PREPARED BY:  
DAMON R. TALLEY, P.S.C.

*Damon R. Talley*  
DAMON R. TALLEY  
112 NORTH LINCOLN BLVD.  
P. O. BOX 150  
HODGENVILLE, KY 42748  
(270) 358-3187 FAX (270) 358-9560

P.S.C. Ky. No. 1

Cancels P.S.C. Ky. No. KWS.1

AQUA/KWS, Inc.

(Formerly - Kentucky Water Service Company, Inc.)

OF

354 Waller Avenue  
Lexington, Kentucky

Rates, Rules and Regulations for Furnishing  
Water

AT

Middlesboro (Bell County) Kentucky

Clinton (Hickman County) Kentucky

Filed with PUBLIC SERVICE COMMISSION OF OF KENTUCKY  
KENTUCKY PUBLIC SERVICE COMMISSION  
EFFECTIVE

AUG 18 1992

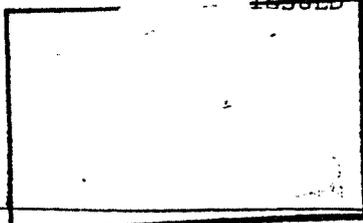
ISSUED November 3, 2005  
~~June 12~~ 19 ~~92~~

EFFECTIVE Effective: Dec 5, 2005  
PURSUANT TO 807 KAR 5:011  
SECTION 8(1) 19 ~~92~~

BY: [Signature]  
PUBLIC SERVICE COMMISSION MANAGER

ISSUED BY AQUA/KWS, Inc.  
(Name of Utility)

BY [Signature]  
Starling S. Gregory  
Secretary-Treasurer



Middlesboro and Clinton  
 FOR and Adjacent Territory  
 P.S.C. Ky. No. 1  
 Original Sheet No. 1  
 Cancelling P.S.C. Ky. No. KWS 1  
 Sheet No. \_\_\_\_\_

AQUA/KWS, Inc.

RULES AND REGULATIONS

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Rule No.

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PUBLIC SERVICE COMMISSION  
 OF KENTUCKY  
 EFFECTIVE

AUG 18 1992

PURSUANT TO 807 KAR 5:011.

DATE OF ISSUE November 5, 2005 December 5, 2005 SECTION 9 (1)  
~~June 12 1992~~ DATE EFFECTIVE JBME  
 Month Day Year Month Day Year  
 ISSUED BY Starling S. Gregory Secretary-Treasurer Lexington, Kentucky  
 Name of Officer Title Address

**NOTICE**

The Sandy Hook Water District has filed an application with the Kentucky Public Service Commission to increase its rates as follows:

Present and Proposed Water Rates

CURRENT RATES			PROPOSED RATES		
First	2,000	\$14.64	First	2,000	\$17.60
Next	8,000	4.90	Next	8,000	6.62
Next	40,000	4.31	Next	40,000	5.88
Over	50,000	3.13	Over	50,000	4.40

Minimum bills and usage allowance for each meter size:

METER SIZE	USAGE ALLOWANCE	CURRENT COST	PROPOSED COST
5/8	2,000	\$14.64	\$17.60
1	5,000	29.34	37.46
1 ½	10,000	53.84	70.56
2	20,000	96.94	129.36
3	30,000	140.04	188.16

Connection Fees:	Current	Proposed
5/8 x ¾	\$400	\$500
1 Inch	Actual Cost	700

The rates contained in this notice are the rates proposed by Sandy Hook Water District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for customers other than the rates in this notice. Based on the rates proposed by Sandy Hook, a customer using 5,000 gallons will receive an increase from \$29.34 to \$37.46 an increase of \$8.12 or 27.6 percent.

Any corporation, association, body politic or person may by motion within thirty (30) days after publication of this notice request leave to intervene. Motion to intervene must be filed with the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky, 40602. The motion must set forth the grounds for the request including the status and interest of the party.

Intervenors may obtain copies of the application by contacting Sandy Hook Water District at P.O. Box 726, Sandy Hook, Kentucky 41171, or by calling the Water District at 606-738-6282. A copy of the application is also available for inspection at the District's office.

## NOTICE

Crittenden-Livingston County Water District has filed an application with the Public Service Commission to increase its rates for water service, within 30 days from filing its application as follows:

Current Rates		Proposed Rates	
First 1,000	\$14.02	First 1,000	\$16.00
Next 9,000	6.73	Next 9,000	9.10
Next 10,000	5.62	Next 10,000	7.80
Over 20,000	4.41	Over 20,000	6.15
Bulk Sales	4.12		6.15
Wholesale	2.20		2.20

Minimum bills for customers on a one inch meter will increase from \$40.94 to \$52.40 and customers using a two inch meter will receive an increase in the minimum bill from \$102.69 to \$136.90. Based on the rates proposed by Crittenden-Livingston, customers connected to a 5/8 inch meter using 5,000 gallons will pay \$52.40 an increase of \$11.46 or 28 percent.

Crittenden-Livingston has also filed with the Commission to establish and increase certain non recurring charges as shown below:

Service	Current Charge	Proposed Charge
5/8 x 3/4 Inch Meter Installation	\$400	\$500
1" Meter Installation	450	Actual Cost
1 1/2 Inch Meter Installation	600	Actual Cost
2" Meter Installation	800	Actual Cost
Meter Test	2.00	45.00
Reconnection Fee	25.00	45.00
Connection/Turn On	10.00	25.00
Turn On/After Hours	0	35.00
Field Collection	0	25.00
Meter Relocation	0	Actual Cost
Damage to Meter or Lid	0	Actual Cost
Meter Reread	0	25.00
Meter Reread after hours	0	35.00
Reconnection/After Hours	0	55.00
Service Call	0	25.00
Service Call/After Hours	0	35.00

The rates contained in this notice are the rates proposed by Crittenden Livingston County Water District. However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

**WATER SERVICE CORPORATION OF KENTUCKY**  
**CASE NO. 2005-00325**  
**CALCULATION OF REVENUE REQUIREMENT**

	<u>Effect of Proposed Increase</u>
Rate base:	\$ 5,205,581
Pro forma operating income at current rates:	(30,216)
Earned rate of return:	-0.58%
Rate of return:	9.12%
Required operating income:	474,489
Operating income deficiency:	504,704
Gross revenue conversion factor:	1.6154481
Revenue deficiency:	815,324
Adjusted operating revenues increase:	<u>1,391,624</u>
Revenue requirement:	<u><u>\$ 2,206,947</u></u>

**WATER SERVICE CORPORATION OF KENTUCKY  
CASE NO. 2005-00325  
RECONCILIATION OF RATE BASE AND CAPITAL**

Total Capitalization: \$ 4,368,155

Reconciling Items:

Inclusion of organizational costs	36,283
Actual and estimated general ledger additions	175,388
Restatement of accumulated depreciation	505,172
Estimated additions to accumulated depreciation	533,896
Actual and estimated cash working capital	167,624
Contributions in aid of construction (restated)	(58,029)
Advances in aid of construction (restated)	(92,599)
Accumulated deferred income taxes	(358,146)
Customer deposits	(114,589)
Actual and estimated capitalized time	64,299
Reduction for transportation equipment	(4,522)
Allocated rate base from WSC	43,029
Estimated capital project additions and retirements	436,231
Plant acquisition adjustment	175,704
Work in process on books at 12/31/04	(48,077)
Cash	(88,720)
Accounts receivable - net	(283,051)
Other current assets	(6,100)
Deferred charges	(246,364)

Net Rate Base Used to Determine Revenue Requirement: \$ 5,205,581

**WATER SERVICE CORPORATION OF KENTUCKY**  
**CASE NO. 2005-00325**  
**CLASS OF ASSET DEPRECIATION RATES**

<u>Account Number</u>	<u>Account Name</u>	<u>Rate</u>	<u>Term</u>
3011001	Organization	2.50%	40
3036010	Land & Land Rights	0.00%	0
3042011	Structures & Improvements (Source of Supply)	3.13%	32
3043021	Structures & Improvements (Pump Plant)	3.13%	32
3044031	Structures & Improvements (Water Treatment Plant)	3.13%	32
3072014	Wells & Springs	3.33%	30
3113025	Electric Pump Equipment	5.00%	20
3204032	Water Treatment Equipment	4.55%	22
3305042	Distribution Reservoirs & Standpipes	2.70%	37
3315043	Transmission & Distribution Mains	2.33%	43
3335045	Service Lines	2.50%	40
3345046	Meters	5.00%	20
3345047	Meter Installations	5.00%	20
3355048	Hydrants	2.22%	45
3406020	Mini Computers	16.67%	6
3406090	Office Structures & Improvements	2.50%	40
3406091	Office Furniture & Equipment	6.67%	15
3406120	Micro System	16.67%	6
3446095	Laboratory Equipment	6.67%	15
3466094	Tools, Shop, & Miscellaneous Equipment	6.25%	16
3466097	Communication Equipment	10.00%	10
3486096	Undistributed Water Plant	4.00%	25
3917000	Transportation Equipment	16.67%	6
Common	CIAC, AIAC	3.76%	27