

P. O. BOX 3157
PIKEVILLE, KY 41502
PHONE: (606) 631-9162
FAX: (606) 631-3087
TDD: (606) 631-3711

October 10, 2006

Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615
Attn: Beth O'Donnell

RECEIVED

OCT 12 2006

PUBLIC SERVICE
COMMISSION

RE: Case File NO. 2006-00123

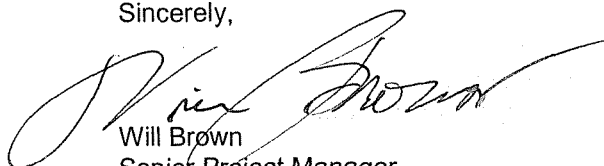
Dear Mrs. O'Donnell:

We are writing in response to your request dated August 29, 2006. As requested in your letter, the explanations of the listed items are as follows:

- Assets 32 and 76 are Mains in the Mossy Bottom Project, Phases I and II respectively. Asset 100 is also Mains in the Mossy Bottom Phase III project. We had a personnel change in the office and apparently they erroneously entered the life as 40 years. We will modify the life of the asset according to your wishes.
- Assets 1 through 6 are mains at the respective locations listed on the Depreciation Schedule. These were part of package plants taken over at these locations. Assets 7 through 12 are the package plants at the locations for Assets 1 through 6. Asset 99 is Mains in the South Williamson Sewer Project, the useful life is should also have been 20 years and we can change that in 2006. Asset 113 is actually three separate assets and will be broken out on the program immediately. One asset is the Forrest Hills Connector, which had a cost of \$285,667.22. There is also a Mains-Sunshine Lane which costs \$27,451.90 and Mains-Mountainview Subdivision which costs \$63,000.99. These three assets total \$376,120.11, which was the total of Asset 113 on the Schedule. We will correct the useful life on these assets to 20 years as well.
- The plant Schedule accumulated depreciation doesn't reconcile because the Annual Report for 2005 is in the process of being amended by our Auditors, Griffith, Delaney and Hillman, CPA's. Once the amended reports are submitted, these numbers should reconcile.
- Asset 29 was set up using the Straight-line method of depreciation and during a Y2K glitch in our computers changed to a double declining method. We caught most of the Y2K problems but obviously missed this one. We will switch it to Straight-line immediately.

We hope that this clarifies these situations to your satisfaction. Please contact us at (606) 631-9162 should you need further information. We apologize for the delay in submitting this response.

Sincerely,



Will Brown
Senior Project Manager

Cc: File