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PUBLIC SERVICE
COMMISSION

Water Service Corporation of Kentucky
Case No. 2010-00476

Responses

PSC Order of May 6, 2011

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

Application of Water Service Corporation)
of Kentucky for an Adjustment of Rates) Case No. 2010-00476
)

RESPONSE TO ORDER OF MAY 6, 2011

Water Service Corporation of Kentucky (WSCK), by counsel, submits its responses to the Commission's order of May 6, 2011. The response to item 6(d), (e) and (f) has not been completed and WSCK requests an extension until Tuesday, May 24 to file the additional information.

John N. Hughes

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Attorney for Water Service
Corporation of Kentucky

Certificate of Service:

A copy of this response was mailed to David Spenard of the Attorney General's Office, 1024 Capital Center Dr, Frankfort, KY 40601 the 20th day of May, 2011.

John N. Hughes

AFFIDAVIT

STATE OF ILLINOIS

COUNTY OF COOK

Affiant, Brian Shrake, after being first sworn, deposes and says that the foregoing responses are true and correct to the best of his knowledge and belief except as to those matters that are based on information provided to him and as to those he believes to be true and correct.

Brian Shrake

This instrument was produced, signed and declared by Brian Shrake to be his act and deed the 19th day of May, 2011.

Leslie A Stone

Notary Public

My Commission expires: 5-29-2011

OFFICIAL SEAL
LESLIE A. STONE
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 5-29-2011

1. Refer to WSKY's Response to Commission Staffs Second Information Request Request, Item 1

a. Workpaper w/p [f] is the revised depreciation calculation that uses the depreciation lives that WSKY submitted in Case No. 2005-00325.' Listed in the revised calculation is depreciation for Project Phoenix of $69,565. State whether this amount reflects the total amount of the depreciation expense for the JD Edwards Enterprise One financial system ("JDE") and Oracle Customer Care and Billing System. ("Oracle") included in the revised revenue requirement of $2,693,208.

b. If the response to Item 1 (a) is no, identify the total amount of depreciation for JDE and Oracle that is included in the revised revenue requirement. Show the calculations to support the depreciation that is identified in this response.

c. State whether WSKY intends to amend its application to request rates that produce the revised revenue requirement from water rates of $2,693,208.

Response: Witness – Brian Shrake:

a. Yes
b. N/A
c. While WSKY believes that the depreciation rates used to come up with the revised revenue requirement are appropriate, it does not wish to amend its application.

2. Refer to WSKY's Response to Commission Staffs Second Information Request, Item 3. State the amount of depreciation expense included on line 1 of Schedule B of the application that is attributable to JDE. Provide the calculations made to derive this amount.

Response: Witness – Brian Shrake:

The depreciation expense would be $46,011 ($368,089*12.5%)

3. Refer to WSKY's Response to Commission Staffs Second Information Request, Item 4. State the amount of depreciation expense included on line 1 of Schedule B of the application that is attributable to Oracle. Provide the calculations made to derive this amount.

Response: Witness – Brian Shrake:

The depreciation expense would be $23,645 ($188,432*12.5%)

4. Refer to WSKY's response to Commission Staffs Second Information Request, Item 5(c).
   a. Explain why the allocated cost of Project Phoenix of $555,5212 to WSKY is reasonable given WSKY's size and number of customers.
   b. Quantify the benefits that WSKY receives from Project Phoenix. Show all calculations and state all assumptions made to quantify these benefits.
   c. Explain why a software package costing $555,521 is appropriate and reasonable f or a utility of WSKY's size and number of customers.

Response: Witness – Brian Shrake:

a. UI completed a project analysis before it initiated Project Phoenix to gauge the impact of the cost of the program to be borne by its customers. The analysis calculated that Project Phoenix would cost the average UI customer less than $1.50 a month. The company believes that this cost is reasonable for replacing an archaic and technologically obsolete accounting information and billing system.
b. The Company pursued Project Phoenix in recognition of the current state of its existing systems, processes. In addition, the company recognized its need to achieve flexibility and to provide better service to its key stakeholders outside the organization (customers and regulators). Project Phoenix was not driven by cost but out of necessity. The legacy system software and hardware being utilized was archaic and technologically obsolete. A new accounting information system was necessary to improve internal controls beneficial to the efficiency of the organization and customers. There are no cost savings to quantify and the majority of benefits which are addressed in Mr. Lubertozzi's direct testimony are qualitative in nature.
c. Please see the above response for DR. 4a. The costs capitalized for Project Phoenix are not solely related to software, the costs also include hardware, hardware installation and software upgrades along with consulting services.

5. Request, Item 7. Refer to WSKY's Response to Commission Staffs Second Information

a. On workpaper w/p [b-3], WSKY has placed the notation "Salaries Annualized to include an estimated 3.5% raise effective 4/01/2011 ." Given that the wage increases listed in the Schedule "WSC Employee Wage Data" vary from no change to 12.5 percent, explain the relevance of the reference to the 3.5 percent pay raises that was granted April 1, 2011.

b. For each employee listed in the Table 1, explain why he or she received a wage increase in 2011 in excess of 3.5 percent.

c. At page 2 of "WSC Employee Wage Data," WSKY notes the elimination of four employee positions.

(1) If any of these positions have been filled, identify the employee currently in the position, provide the date on which the employee was hired, his or her actual annualized salary, and his or her actual benefit information. Identify the salary and employee benefit costs that are included in WSKY's pro forma operating expenses. (2) If any of positions are currently vacant, state the reason@) why the position is vacant and whether WSKY intends to fill the position.

(3) State whether the cost of the position is included in the pro forma salaries and wage expense. If the cost is included, provide the position costs that are included in the test period operating expenses (i.e., payroll expenses, payroll capitalized, retirement, patrol taxes, insurance benefits), stated separately, and the accounts to which each amount was charged.

Response: Witness – Brian Shrake:

a. The 3.5% pay increase is an estimated figure that is applied to all WSC of KY allocated employees. The actual average increase per person might be lower or higher than the estimated 3.5% depending on individual performance, promotions, and other factors. The actual increases and most recent salaries are updated through data requests during the course of the rate case.

b. WSC 1: This employee was promoted from Regulatory Accountant I to Regulatory Accountant II.

WSC 11: This employee was promoted from Chief Regulatory Officer to Chief Operating Officer.

WSC 13: This employee was rewarded a higher increase than the average 3.5% due to outstanding performance during the evaluation period as well as added responsibilities.

WSC 15: This employee was rewarded a higher increase than the average 3.5% due to outstanding performance during the evaluation period.

WSC 18: This employee was promoted from Regulatory Accountant II to Senior Regulatory Accountant.

WSC 21: This employee was promoted from Regulatory Accountant II to Senior Regulatory Accountant.

WSC 22: This employee was rewarded a higher increase than the average 3.5% due to outstanding performance during the evaluation period.

WSC 29: This employee was rewarded a higher increase than the average 3.5% due to outstanding performance during the evaluation period.

WSC 30: This employee was rewarded a higher increase than the average 3.5% due to outstanding performance during the evaluation period.

WSC 38: This employee was rewarded a higher increase than the average 3.5% due to outstanding performance during the evaluation period.

WSC 42: This employee was rewarded a higher increase than the average 3.5% due to outstanding performance during the evaluation period as well as added responsibilities.

WSC 45: This employee was rewarded a higher increase than the average 3.5% due to outstanding performance during the evaluation period.

WSC 49: This employee was rewarded a higher increase than the average 3.5% due to outstanding performance during the evaluation period as well as added responsibilities.

WSC 52: This employee was rewarded a higher increase than the average 3.5% due to outstanding performance during the evaluation period.

WSC 56: This employee was rewarded a higher increase than the average 3.5% due to outstanding performance during the evaluation period.

c. 1) None of the positions in question have been filled as of 5/9/2011.

2) The only position out of the 4 positions in question that is still open is the Regulatory Accountant Position. The position will be filled within the next 2 months and we are actively interviewing candidates to fill that position. The costs that are currently included in the filing are based on a pro-forma adjustment and are as follows (all allocated amounts based on 2.63% WSC allocation):

Salary: $1,235.73
Payroll taxes: $118.46
Benefits: $306.23
Cap time charged to plant: ($1,201)

6.

a. Provide all studies and analyses of salary and wage compensation that WSKY has conducted, commissioned, or used to determine the level of the wage increase that became effective on April 1, 2011.

b. Explain why, in light of present economic conditions, both locally and nationally, the wage increase that became effective on April 1, 2011 is reasonable and appropriate.

c. State the date on which employee wage increases in 2010 became effective.

d. Provide a schedule that lists each employee, his or her pay rate prior to the 2010 increase, his or her pay rate on the date that the 2010 wage increase became effective, and the percentage change in these pay rates.

e. Calculate the effect to WSKY's pro forma salary and wage expense if the employee wage increases granted in 2010 and the wage increase granted on April 1, 2011 are eliminated. Provide a detailed schedule by employee supporting WSKY's calculations. On the schedule, separately show the effect of removing each wage increase.

f. Provide the schedules requested in 6(d) and 6(e) in an electronic format that is capable of being viewed and manipulated with the use of Microsoft Excel

Response: Witness – Brian Shrake:

a. There were many steps in determining the appropriate wage increase that became effective April 1, 2011. First, UI evaluated each title separately and gathered the salary data for all employees in each of those titles. For each title based on our current employee population at the time (2010) UI established the mean (average) to set the midpoint of the range. Then UI compared each midpoint of the titles to other titles in the organization chart to make sure there were no anomalies. UI compared the means of each of the job titles to the rest of the industry using wage survey data from American Water Works Association (AWWA). UI found that the company either matched or lagged the industry (water utilities). UI also used Bureau of Labor Statistics wage surveys, specifically for all utilities companies. Again UI found that company either matched or lagged the industry (all utilities).

   Once the means were established by title, the titles were sorted by non-exempt (hourly), exempt (salary), and exempt leadership (salary). Based on national trends and recommendations by Society of Human Resource Management (SHRM), UI assigned a percentage spread from low to high based on the mean of each title. The spread for each category is as follows:

   Non-exempt – 30%
   Exempt – 40%
   Exempt Leadership – 50%

UI then gave its managers the detailed information complied above. For every individual UI listed:

- their current salary or hourly rate
- the salary range which includes the low, midpoint and high for their title
- the fiscal year impact of any raise or bonus given
- the wage year rate (April 1st – March 31st)
- compa ratio

Compa ratios are comparisons of employee's new pay rate and the midpoints or their salary range. The formula for compa ratio is current employee pay/current range midpoint. Compa ratios are useful for identifying at a glance which employees' pay rates are below the minimum, above the maximum and which employees fall above or below the midpoint. Ideally, the majority of employee pay rates should have room to grow in their pay ranges.

As a guideline to help managers allocate an appropriate percentage for each employee, UI provided the chart below. The left hand side represents the level of performance and the top represents where the employee falls in the pay range. This chart is not intended to be a hard and fast rule, but rather a guide in their decision making.

		[illegible]		
		[illegible]	[illegible]	[illegible]
PERFORMANCE	Low	0-2%	0-1%	0%
	Mid	4-5%	2-4%	1-2% or bonus
	High	6-8%	4-5%	1-3% or bonus

b. The company found that it either matched or lagged industry bench marks for compensation as noted in the response to 3-6a above. Many of our talent pool competitors are municipalities that have the ability to offer better compensation (i.e., healthcare, defined benefit pension plans and post retirement healthcare). Therefore to retain and attract qualified employees the company must offer competitive compensation and providing merit increases to our employees is part of that compensation.

c. The employee wage increases became effective April 1st 2010.

7. Refer to WSKY's Responses to Commission Staffs Second Information Request, Items 9 and 12.

   a. Explain why, given that the Middlesboro office was closed on March 31, 2010, the number of Kentucky employees increased from 10 in March 2010 to 11 in April 2010.

   b. As of December 2010, WSKY identified 11 employees at Middlesboro and Clinton. For each employee, list his or her position title and salary.

Response: Witness – Brian Shrake:

a. The Middlesboro office is still used by operational personnel. It stopped providing customer service functions on March 31, 2010. In February 2010 WSKY's administrative assistant resigned. In March WSKY's last customer service representative was let go. An operator was reassigned to fill the administrative assistant's duties and his replacement was hired on in April 2010.
b. Please refer to the schedules provided in PSC DR 2-7. They are the employees labeled Maint 1 through Maint 11

8. Refer to WSKY's Response to Commission Staffs Second Information Request, Item 12(b). There were five different scenarios regarding the number of offices listed in the presentation. Identify the scenario chosen and compare the actual cost savings that have been realized to the projected savings.

Response: Witness – Brian Shrake:

The company chose the option which consolidated Customer Service operations into three offices. The company instituted the Customer service reorganization just over a year ago and does not have sufficient operating experience or data to perform an analysis that compares actual to projected cost savings.

9. Refer to WSKY's Response to Commission Staffs Second Information Request, Item 13, and WSKY's Response to Commission Staffs First Information request, Item 3. The electronic spread sheets provided in response to the First Information Request appear to contain linked references to or macro commands involving external files. As a result, several error messages appeared throughout the electronic spreadsheets and prevented verification of calculation references that appear in the response to the Second Information Request. Provide a paper copy of each workpaper contained in the Excel file and an electronic version of the spreadsheet that is capable of being viewed and manipulated with the use of Microsoft Excel 1997-2003 Case No. 2010-00476 computer software and that does not contain any linked references to or macro commands involving external files.

Response: Witness – Brian Shrake:

Please see attached electronic files. A paper version of the workpapers requested in DR 1-3 were submitted in Exhibit 4 of the initial filing.

10. Refer to WSKY's Response to Commission Staffs First Information Request, Item 3. WSKY calculates its uncollectible expense using a rate of 4.48 percent In Case No. 2008-00563 WSKY reported an uncollectible rate of 1.11 percent.

a. State the reason(s) for the increase in uncollectibles.
b. Explain why it is appropriate and reasonable for the Commission to use an uncollectibles rate in this case that is significantly higher than the rate used in WSKY's last rate case proceeding.

Response: Witness – Brian Shrake:

a. The company used a different methodology to calculate its uncollectible allowance for the previous rate case. In the prior case the calculation only included availability customers in its aging schedule to determine the allowance. The company determined that this calculation understated and did not accurately reflect the true uncollectible percentage. The current methodology includes all customers billed, not just availability customers, in its calculation and more accurately reflects actual amount of uncollectibles.
b. The 4.48% rate used in this filing is more accurate and timely than the rate from the previous filing. The previous filing utilized a three year historic test year and the less accurate methodology explained in response to item 10a. The 4.48% utilized in the current filing more accurately reflects the actual uncollectible rate for the customers of WSKY.

11. For each Water Service subsidiary that provides retail water service, provide for the calendar year ended December 31, 2010:

a. The subsidiary's total uncollectibles;
b. The subsidiary's total water sales; and
c. The subsidiary's uncollectibles stated as a percentage of total water sales.

Response: Witness – Brian Shrake:

The company does not differentiate between uncollectibles for water and sewer service. Please see attached schedule that shows total service revenues total uncollectibles and uncollectibles stated as a percentage of total service revenue.

Water Service Corporation of Kentucky
Case No. 2010-00476
PSC DR 3 Item 11
Uncollectible % by Operating Company

Co #	Company Name	Total Service Revenue	Uncollectibles	%
00110	Apple Canyon Utility Co	285,800.34	10,017.77	3.51%
00111	Camelot Utilities Inc	185,365.63	1,497.32	0.81%
00112	Charmar Water Co	23,999.16	(293.00)	-1.22%
00113	Cherry Hill Water Co	81,479.38	576.43	0.71%
00114	Clarendon Water Co	92,613.87	162.22	0.18%
00117	Del Mar Water Co	64,854.05	3,884.03	5.99%
00118	Ferson Creek Utilities Co	235,459.34	291.11	0.12%
00119	Galena Territory Utilities	764,713.07	(8,949.18)	-1.17%
00120	Killarney Water Co	64,795.43	(276.58)	-0.43%
00121	Lake Holiday Utilities Corp	424,503.05	5,452.71	1.28%
00122	Lake Wildwood Utilities Co	212,088.83	19,395.46	9.14%
00123	Northern Hills W & S Co	94,900.21	714.12	0.75%
00124	Lake Marian Water Corp	115,952.99	257.92	0.22%
00125	Wildwood Water Service Co	37,246.35	15.19	0.04%
00126	Valentine Water Service Inc	23,692.50	(143.50)	-0.61%
00127	Walk Up Woods Water Co	51,617.01	(149.18)	-0.29%
00128	Whispering Hills Water Co	602,626.54	4,922.35	0.82%
00129	Holiday Hills Utilities Inc	50,162.41	(33.37)	-0.07%
00130	Medina Utilities Corp	223,965.65	2,481.34	1.11%
00131	Westlake Utilities Inc	351,457.01	409.63	0.12%
00132	Cedar Bluff Utilities Inc	46,722.90	1,343.76	2.88%
00133	Harbor Ridge Utilities Inc	99,409.42	1,917.96	1.93%
00134	Great Northern Utilities	90,652.24	1.36	0.00%
00150	Twin Lakes Utilities Inc	2,494,045.82	15,140.22	0.61%
00151	WSC Indiana	205,321.96	1,343.22	0.65%
00152	Indiana Water Service Inc	425,553.40	10,738.42	2.52%
00181	Elk River Utilities Inc	168,312.17	(37.00)	-0.02%
00182	Carolina Water Service Inc of NC	18,265,971.40	131,512.38	0.72%
00183	CWS Systems	3,569,690.22	31,315.63	0.88%
00187	Carolina Trace Utilities Inc	1,571,794.85	8,248.19	0.52%
00188	Transylvania Utilities Inc	1,284,864.15	16,648.05	1.30%
00190	Carolina Pines Utilities Inc	185,301.19	2,438.34	1.32%
00191	Bradfield Farms Water Co	575,340.06	8,440.63	1.47%
00192	Nero Utility Services Inc	133,263.17	369.16	0.28%
00220	Tennessee Water Service	291,562.97	4,123.24	1.41%
00241	Tierra Verde Utilities Inc	1,022,791.02	-	0.00%
00242	Lake Placid Utilities Inc	122,782.20	3,704.21	3.02%
00245	Alafaya Utilities Inc	3,012,776.56	16,152.17	0.54%
00246	Utilities Inc of Longwood	811,247.44	9,657.15	1.19%
00248	Cypress Lakes Utilities Inc	781,355.67	782.01	0.10%
00249	Utilities Inc of Eagle Ridge	990,025.53	3,107.71	0.31%
00250	Mid-County Services Inc	2,004,105.71	(1.00)	0.00%
00251	Lake Utility Services Inc	6,609,315.25	49,252.87	0.75%

Water Service Corporation of Kentucky
Case No. 2010-00476
PSC DR 3 Item 11
Uncollectible % by Operating Company

Co #	Company Name	Total Service Revenue	Uncollectibles	%	
00252	Utilities Inc of Florida	3,249,191.08	47,946.92	1.48%	
00254	ACME Water Supply & Mgmt Co	349,132.09	318.58	0.09%	
00255	Sanlando Utilities Corp	6,820,893.62	13,256.79	0.19%	
00256	Utilities Inc of Sandalhaven	463,200.13	(28,235.33)	-6.10%	
00257	Bayside Utility Services	168,731.76	9,580.47	5.68%	
00259	Labrador Utilities Inc	682,307.91	560.50	0.08%	
00260	Utilities Inc of Pennbrooke	857,972.34	493.49	0.06%	
00262	Sandy Creek Utility Services	128,320.32	3,015.65	2.35%	
00286	Green Ridge Utilities Inc	386,682.95	1,955.32	0.51%	
00287	Provinces Utilities Inc	429,530.26	3,790.91	0.88%	
00288	Maryland Water Services Inc	433,490.68	31,119.75	7.18%	
00300	Montague Water & Sewer Co	484,297.70	29,433.95	6.08%	
00315	Utilities Inc of Westgate	372,987.58	158.60	0.04%	
00316	Utilities Inc of Pennsylvania	795,435.71	1,758.96	0.22%	
00317	Penn Estates Utilities Inc	1,349,187.47	7,855.10	0.58%	
00332	Colchester Public Service Corp	461,521.70	26.00	0.01%	
00333	Massanutten Public Serv Corp	2,613,100.35	7,674.63	0.29%	
00345	Water Serv Corp of Kentucky	2,022,767.89	70,706.75	3.50%	[1]
00356	Louisiana Water Service Inc	3,268,890.74	112,104.07	3.43%	
00357	Utilities Inc of Louisiana	3,441,718.86	11,382.32	0.33%	
00385	Utilities Inc of Georgia	4,456,718.83	10,105.08	0.23%	
00386	Water Service Co of Georgia	1,151,786.45	56,495.28	4.91%	
00400	Carolina Water Service Inc	7,486,699.04	153,245.96	2.05%	
00401	Util Serv of South Carolina	3,227,995.03	95,860.69	2.97%	
00402	Southland Utilities Inc	77,202.53	1,972.21	2.55%	
00403	United Utility Company	784,543.12	52,461.81	6.69%	
00406	Tega Cay Water Service Inc	1,090,870.44	8,682.20	0.80%	
00425	Bermuda Water Co	2,686,718.83	22,560.90	0.84%	
00450	Utilities Inc of Nevada	1,019,548.55	7,729.79	0.76%	
00451	Spring Creek Utilities Co	3,027,065.95	16,900.52	0.56%	
00452	Sky Ranch Water Service	185,441.12	441.60	0.24%	
00453	Util Inc of Central Nevada	5,427,922.55	61,483.95	1.13%	

[1] Has not been adjusted to remove Clinton Sewer Revenue and Bad Debt

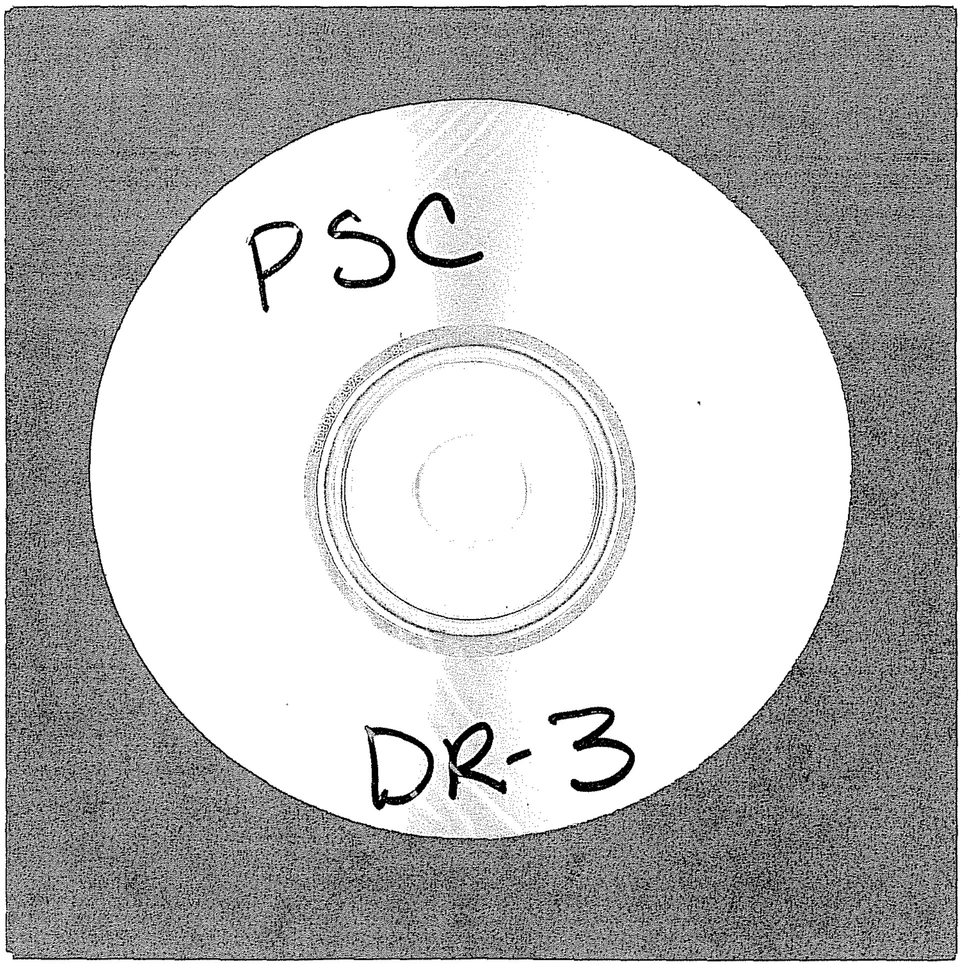
12. Refer to WSKY's Response to Commission Staffs Second Information Request, Item 14(a).

a. Provide the requested allocated expense schedule in an electronic format that is capable of being viewed and manipulated with the use of Microsoft Excel Case No. 2010-00476 1997-2003 computer software and that does not contain any linked references to or macro commands involving external files.

b. Provide the annual total of Water Service Corporation's ("Service Company") expenses that were allocated to WSKY for the 12-month period ending September 30, 2010.

Response: Witness – Brian Shrake:

a. Please see attached Electronic Files
b. Please see the Column Titled "Total" in the attached file.



13. Refer to WSKY's Response to Commission Staffs Second Information Request, Item 14(b).

a. Provide the requested direct expense schedule in an electronic format that is capable of being viewed and manipulated with the use of Microsoft Excel 1997-2003 computer software.

b. Provide the annual total of Service Company's expenses that were directly billed to WSKY for the 12-month period ending September 30, 2010.

Response: Witness – Brian Shrake:

a. Please see attached Electronic Files.
b. No service company expenses were directly billed to WSKY.

14. Refer to WSKY's Response to Commission Staffs First Information Request, Item 29 and WSKY's Response to Commission Staffs Second Information Request, Item 15.

a. State whether the December 19, 2007 Agreement has been modified to allow WSKY to contest the reasonableness of any expense that the Service Company allocates to it.

b. If the response to 14(a) is yes, provide a copy of the revised agreement.

c. If the response to 14(a) is no, describe the safe-guards in place to ensure that unreasonable or inappropriate expenses incurred at the Service Company are not allocated to WSKY.

d. Provide examples of expenses that were deemed either unreasonable or inappropriate and were not allocated to WSKY. Describe the process used to make that determination.

Response: Witness – Brian Shrake:

a. The Agreement has not been amended.
b. Not applicable.
c. WSC does not believe any of its allocated expenses are unreasonable. WSC reviews costs to determine if any expenses should be borne by its shareholders instead of its ratepayers. If it is determined that an expense is a shareholder expenses it is not booked to the service company and therefore not allocated to ratepayers. In addition, allocated costs are reviewed by each Regional Business Manager and Regional Vice President during the monthly budget review. In response to this data request the company is currently reviewing items allocated to WSKY.
d. In December of 2009, the President of the company returned early from a trip abroad for business reason. The costs to change the flight reservations were initially charged to the service company but upon further review, the costs were deemed a shareholder expense and removed from the service Company's ledger. The Utilities, Inc. annual Christmas party was charged to the shareholders. Outplacement services for the Company's previous CEO along with his severance package were also charged to the shareholders.

15. a. State whether WSKY has a written plan or procedure in place for managing electricity use.

b. If yes,

(1) Provide a copy.

(2) State whether WSKY has established targets or goals for reducing electricity use, electric demand, and power purchase costs.

(3) State whether WSKY has a prioritized list of projects and initiatives for reducing electric use, based on economic analyses and the goals that WSKY has established.

c. If no, explain why not.

Response: Witness – Brian Shrake:

a. The company does not have a written a written plan or procedure in place for managing electricity use.
b. Not applicable
c. In the last 12 months the management of WSKY has checked with its Kentucky Utilities to determine the best possible rates and hours to operate plant. WSKY is currently getting the best rate available. There is no difference in price between Peak and Off-Peak electrical usage

16. State whether WSKY has commissioned a comprehensive energy audit of its facilities and operations. If yes, provide a copy of the report of such audit. If no, explain why not.

Response: Witness – Brian Shrake:

WSCKY has not commissioned a comprehensive energy audit of its facilities. WSKY already receives the best rate possible from Kentucky Utilities. Because of this the company believes that performing a comprehensive energy audit is unnecessary.

17. a. State whether WSKY has a supervisory control and data acquisition ("SCADA") system.

b.

(1) If yes, state whether the SCADA system is used to manage electricity use and demand and to record data on use and demand. Explain.

(2) If no, state whether:

(a) WSKY has experienced, trained operators for managing and recording electricity use and demand; and

(b) WSKY has written procedures for managing and recording electricity use and demand. If yes, provide a copy.

Response: Witness – Brian Shrake:

a. WSKY's Clinton system does manage their system tank levels utilizing a SCADA system. The Middlesboro system does not have a SCADA system.

b(1) The SCADA system in Clinton does not manage or record data for electrical use.

b(2)(a) WSCK has experienced trained operators that collect data from electrical meters daily that monitors electrical use. WSCK measures usage but not demand.

b(2)(b) WSKY does not have written procedures for managing and recording electricity use.

18. State whether WSKY's operating procedures call for treating and pumping water to storage during periods of low electric demand. Explain.

Response: Witness – Brian Shrake:

No, WSKY's operating procedures do not call for treating and pumping water to storage during periods of low electric demand. Routine plant operations already begin during off-peak times each day. Additionally the rate provided by Kentucky Utilities is the same for peak and off-peak electric usage.

19. State whether WSKY's operating procedures address optimization of pump operation. Explain.

Response: Witness – Brian Shrake:

WSKY does not alter any operations for shut down and start- up. Filters are backwashed after the plant is shut down in the evenings. Once plant has been started up, operations occur until desired water level in storage tanks is obtained.

The surface water plant in Middlesboro begins operations in the early morning and off-peak hours from 2:00 AM until 4:00 PM everyday

The ground water plant in Clinton operates off the telemetry system for which standpipe water levels are maintained at levels of water in tanks to meet the minimum pressure requirements of 30 psi at all customers meters. The plant operates approximately 8 to 9 hours each day.