

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WATER)	
SERVICE CORPORATION OF)	CASE NO. 2005-00325
KENTUCKY FOR AN)	
ADJUSTMENT OF RATES)	

FIRST DATA REQUEST OF COMMISSION STAFF TO
THE WATER SERVICE CORPORATION OF KENTUCKY

The Water Service Corporation of Kentucky ("Water Service"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than 15 days from the date Water Service tenders its application for rate adjustment. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Provide monthly usage data for each customer in gallons for the calendar year 2004. The usage data should be on a computer disc in Microsoft Excel 97 format.
2.
 - a. Provide the current organization chart, showing the relationship between Water Service and any affiliated companies. Include the relative positions of all entities and affiliates with which Water Service routinely has business transactions.
 - b. Provide the impact the pending stock purchase of Nuon Global Solutions USA, Inc. ("Nuon USA")¹ will have upon the organization chart provided in 2(a).
3. Provide a complete copy of the workpapers, calculations, and assumptions Water Service used to develop its pro forma test-period financial information.
4. Provide a complete copy of all of Water Service's internal accounting manuals, directives, and policies and procedures.
5. Provide a reconciliation and detailed explanation of each difference, if any, in the capital structure and the net investment rate base of Water Service for the test period.
6. List all business activities of Water Service aside from its regulated utility activities. For each activity listed, describe the accounting policies and procedures in place to ensure that those activities are not subsidized by regulated rates or vice versa.

¹ Case No. 2005-00323, The Joint Application of Nuon Global Solutions USA, BV, Hydro Star, LLC, Utilities, Inc. and Water Service Corporation of Kentucky for Approval of an Indirect Change in Control of a Certain Kentucky Utility Pursuant to the Provisions of KRS 278.020(5) and (6) and 807 KAR 5:001, Section 8.

7. Provide a schedule listing each project included in the test period Construction Work in Progress ("CWIP"). Include a detailed description of each project included in the schedule.

8. Provide a test-period general ledger showing account number, subaccount number, account title, subaccount title, and all entries to each account. For each entry state the date paid, vendor name, check number used to make payment and the amount. The general ledger shall include all asset, liability, capital, income, and expense accounts used by Water Service. All accounts should show activity for 12 months. Show the balance in each control and all underlying subaccounts per company books.

9. For each cash account used by Water Service during the test year, provide a cash disbursements ledger that lists all checks in chronological order and details the date paid, check number, vendor, and amount.

10. Reconcile the test-period general ledger expense accounts to the expense amounts reported on page 30 of Water Service's 2004 annual report.

11. Provide a copy of all audit adjustments made for the test-period financial statements.

12. a. Provide a list of all employees employed during the test period. For each employee listed, provide the following:

- (1) Name.
- (2) Title.
- (3) Length of employment with Water Service.
- (4) Job duties.

- (5) Test-period pay rate and current pay rate.
- (6) Test-period regular time worked and overtime worked.
- (7) Percentage of test-period payroll capitalized.
- (8) Total test period payroll expenses and capitalized.
- (9) Type of employee benefits (i.e., health insurance, dental insurance, vision insurance, pension, etc.) and amounts paid for each by Water Service.

b. Provide a copy of the employee information requested in 12(a) on a computer disk in Microsoft Excel 97 format.

c. Provide the employer retirement contribution rate(s) that were effective during calendar year 2004, including the date the rate became effective.

d. If the employer retirement contribution rate will be changed in calendar year 2005, provide the rate, the reason for the change, and the date it will become effective.

13. Provide the impact the pending stock purchase of Nuon USA will have upon the employee information provided in the responses to 12.

14. a. Provide a schedule detailing all test-period expenditures related to the application filed in this current proceeding. Provide in the schedule the nature and amounts of all charges along with a copy of vendor invoices. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate. Identify the account number and title to which each amount was charged.

b. Provide the anticipated total cost of the case upon completion. The projected amount should be detailed by type of service and vendor with supporting documentation for each.

c. Provide a monthly update of the schedule requested in 14(a) showing all of the costs incurred as of that date. Include the supporting detailed vendor invoices as requested in 14(a).

15. For each debt of Water Service currently outstanding or outstanding during the test year,

a. Provide a current amortization schedule that includes the entire life of the loan or bond and that details the payment amounts, principal retirements, interest payments, interest rates, and outstanding balances.

b. Provide a description of the use of the borrowed funds.

16. Provide Water Service's long-term construction planning program.

17. Provide a complete copy of all wage, compensation, and employee benefits studies, analyses, or surveys conducted for or utilized by Water Service.

18. For each water operation employee group, state the amount, percentage increases, and effective dates for general wage increases and, separately, for merit increases granted for the years 2003, 2004, and 2005.

19. Provide complete details of all early retirement plans or other staff reduction programs Water Service intends to offer its employees during 2005 and 2006. Include all cost-benefit analyses associated with these programs.

20. Concerning employee fringe benefits:

a. Provide a detailed list of all fringe benefits available to Water Service employees and the expected cost of each benefit in 2004 and 2005. Indicate which fringe benefits, if any, are limited to management employees.

b. Provide comparative cost information for 2002, 2003, and 2004. Explain any changes in fringe benefits occurring over this period.

c. Provide the impact the pending stock purchase of Nuon USA will have upon the employee fringe benefit information provided in the responses to Items 20(a) and (b).

21. List separately the budgeted and actual numbers of full- and part-time employees by employee group, by month and by year, for 2001 through 2004.

22. Provide the impact the pending stock purchase of Nuon USA will have upon the budgeted 2005 full- and part-time employees by employee group.

23. Provide complete details of Water Service's Other Post-retirement Employee Benefits package(s).

24. Provide all current labor contracts and the most recent contracts previously in effect.

25. Provide a complete copy of each group medical insurance policy that Water Service currently maintains.

26. List all properties leased to the utility and improvements to leased properties, together with annual lease payments which are capitalized.

27. Provide a calculation of federal and state income tax expense, including a reconciliation of book to taxable income for 2004 in the format provided in Schedule 27.

28. For each of the Statement of Financial Accounting Standards ("SFAS") identified below, provide the information listed concerning implementation for Water Service's utility operations.

a. SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

- (1) The date that Water Service adopted the SFAS.
- (2) The effect on the financial statements.
- (3) Whether the test period includes any impact of the implementation. If so, provide detailed information regarding the impact.

b. SFAS No. 109, "Accounting for Income Taxes."

- (1) The date that Water Service adopted the SFAS.
- (2) The effect on the financial statements.
- (3) Whether the test period includes any impact of the implementation. If so, provide detailed information regarding the impact.

c. SFAS No. 112, "Employers' Accounting for Postretirement Benefits."

- (1) The date that Water Service adopted the SFAS.
- (2) The effect on the financial statements.
- (3) Whether the test period includes any impact of the implementation. If so, provide detailed information regarding the impact.

d. SFAS No. 143, "Accounting for Asset Retirement Obligations."

- (1) The date that Water Service adopted the SFAS.
- (2) The effect on the financial statements.

(3) Whether the test period includes any impact of the implementation. If so, provide detailed information regarding the impact.

(4) A schedule comparing the depreciation rates utilized by Water Service prior to and after the adoption of SFAS No. 143. The schedule should identify the assets corresponding to the affected depreciation rates.

29. Provide copies of all service agreements and contracts that Water Service has with any affiliate company. Include a narrative discussion of the pricing policies of Water Service and its affiliates with regard to affiliate company transactions.

30. Concerning transactions between Water Service and any affiliated companies:

a. Provide a comprehensive list and detailed description of any goods or services that have been provided to Water Service by any affiliated company.

b. Describe the benefits that Water Service derives from having affiliates provide the goods or services identified in part (a).

c. Provide a comprehensive list and detailed description of any goods or services that Water Service has provided to any affiliated companies.



Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

DATED: August 30, 2005

cc: Parties of Record

Water Service Corporation of Kentucky
Case No. 2005-00325
Adjusted Jurisdictional Federal and _____ State Income Taxes*
For the 12 Months Ended _____

<u>At Proposed Rates</u> Line		<u>At Current Rates</u> <u>Schedule 49</u>			(4)
		Unadjusted Adjusted (1)	Adjustments (2)	Adjusted (3)	
No.	Adjustments Description				
1	Operating Income Before Income Taxes	\$	\$	\$	\$
2	Reconciling Items:				
3	Interest Charges				
4	Tax Accelerated Depreciation				
5	Book Depreciation				
6	Excess of Tax Over Book Depreciation				
7	Other Reconciling Items (Specify and List)				
8	Total Reconciling Items				
9	Taxable Income				
10	Income Tax Rates:				
11	\$ _____ @ _____ %				
12	\$ _____ @ _____ %				
13	\$ _____ @ _____ %				
14	\$ _____ @ _____ %				
15	Over \$ _____ @ _____ %				
16	Federal (State) Income Tax Liability				

*Separate Schedules should be completed for the Federal and State calculations.

Water Service Corporation of Kentucky
Case No. 2005-00325
Adjusted Jurisdictional Federal and _____ State Income Taxes*
For the 12 Months Ended _____

At Proposed Rates _____		At Current Rates Schedule 49			
Line	Adjustments Description	Unadjusted Adjusted (1)	Adjustments (2)	Adjusted (3)	(4)
No.					
17	Investment Tax Credits	\$ _____	\$ _____	\$ _____	\$ _____
18	Federal (State) Income Taxes – Current	_____	_____	_____	_____
19	Deferred Income Taxes:				
20	Tax Accelerated Depreciation				
21	Tax Straight-Line Depreciation	_____	_____	_____	_____
22	Excess of Accelerated Over Straight-Line Depreciation				
23	Deferred Income Tax @ _____ %				
24	Amortization of Prior Years Deferred Income Taxes	_____	_____	_____	_____
25	Net Deferred Income Taxes Resulting from Depreciation				
26	Investment Tax Credit Deferred				
27	Amortization of Prior Year ITC	_____	_____	_____	_____

*Separate Schedules should be completed for the Federal and State calculations.

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Adjusted Jurisdictional Federal and _____ State Income Taxes*
For the 12 Months Ended _____

<u>At Proposed Rates</u>		<u>At Current Rates</u>			
Line		Schedule 49			
No.	Adjustments Description	Unadjusted Adjusted (1)	Adjustments (2)	Adjusted (3)	(4)
28	Investment Tax Credit – Net	\$	\$	\$	\$
29	Other Tax Deferrals (Specify and List Separately)				
30	Total Deferred Income Taxes				
31	Total Federal (State) Income Taxes (18 + 30)				

*Separate schedules should be completed for the Federal and State calculations.