

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY	)	
WATER DISTRICT FOR (A) AN ADJUSTMENT	)	
OF RATES; (B) A CERTIFICATE OF PUBLIC	)	CASE NO.
CONVENIENCE AND NECESSITY FOR	)	2007-00135
IMPROVEMENTS TO WATER FACILITIES; AND	)	
(C) ISSUANCE OF BONDS	)	

COMMISSION STAFF'S THIRD INFORMATION REQUEST  
TO NORTHERN KENTUCKY WATER DISTRICT

Northern Kentucky Water District ("Northern District") is requested, pursuant to 807 KAR 5:001, to file with the Commission no later than August 24, 2007, the original and 8 copies of the following information, with a copy to all parties of record. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Northern District shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any requests to which Northern District fails or refuses to furnish all or part of the requested information, Northern District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. In its response to of Item 6(a) of Commission Staff's Second Information Request ("Staff's Second Request"), Northern District states that it, "[h]as not borrowed any funds from the Revolving Fund Loan, therefore there is no amortization Schedule at this point." Provide the documentation and calculations to support the State Revolving Loan Fund debt service shown in the Application, Exhibit N, Cost-of-Service Study, Schedule 3.

2. Refer to the schedule provided in Northern District's response to Staff's Second Request, Item 7. For each employee listed, state if they are included in the employee schedule provided in Northern District's response to Staff's Second Request, Item 9.

3. Refer to Northern District's response to Staff's Second Request, Item 9(a).  
a. Provide an updated pro forma salary schedule reflecting Northern District's staff level as of August 1, 2007. Assume all full-time employees that have been hired in calendar year 2007 will work 2,080 regular hours.

b. The schedule in 3(a) should include the current premiums for health insurance, life and disability insurance, and dental insurance for each employee.

The insurance premiums should be net of any employee contribution.

c. The schedule in 3(a) should include the 401- 457 Matching Deferred Compensation for each employee using the pro forma salary.

d. Provide a copy of the pro forma salary information requested in Item 2(a) on a computer disk in Microsoft Excel 97-2003 format.

e. Identify in a separate schedule the employees added to and eliminated from the schedule in 3(a).

4. Refer to Northern District's response to Commission Staff's First Information Request ("Staff's First Request"), Item 8(b) and Northern District's response to Staff's Second Request, Item 10. Reducing the "Total Test-Period Payroll Expensed and Capitalized" of \$7,778,729 by the amount capitalized of \$241,631<sup>1</sup> results in the "Test-Period Payroll Expensed" of \$7,537,098. Provide a reconciliation between the amount calculated as payroll expense from this schedule of \$7,537,097 with the reported "Salaries and Wages – Employees Expense" of \$7,749,012.<sup>2</sup>

5. Refer to the employee health insurance premiums provided in Northern District's response to Staff's Second Request, Item 16. A comparison of the June 2007

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<sup>1</sup> Each rate listed in the "Percentage Capitalized" column was applied to each salary listed in the "Total Test-Period Payroll Expensed and Capitalized" column to arrive at the capitalized payroll of \$241,631.

<sup>2</sup> Application, Exhibit C, Annual Report of Northern District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2006 at 28.

invoice to the December 2006 invoice shows that the premium increased by \$12,338<sup>3</sup> or 8.71 percent.<sup>4</sup> Explain why Northern District's proposed 12.4 percent increase in employee health insurance expense<sup>5</sup> is reasonable.

6. Refer to Northern District's response to Staff's First Request, Item 13.

a. Northern District cites the Commission decision in Case No. 2006-00172<sup>6</sup> as the basis for its proposed 17 percent adjustment to test-period electricity expense. Explain how Northern District determined that the Commission authorized a 17 percent increase in electricity rates of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky.

b. Northern District cites the Commission decision in Case No. 2006-00172 as the basis for its proposed 17 percent adjustment to test-period gas expense. Explain how the approved increase in Duke Kentucky's electricity rates impacts the cost of the gas purchased by Northern District.

7. Provide the number of hours per month each commissioner of Northern District spent during the test period performing district business. Include a description of the business that was being performed.

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<sup>3</sup> \$153,976 (June 2007 Premium) - \$141,638 (December 2006 Premium) = \$12,338.

<sup>4</sup>  $\$12,338 \div \$141,638$  (December 2006 Premium) = 8.71%.

<sup>5</sup> Northern District's Response to the Staff's Second Request, Item 1, Schedule 1.5, Health Care Pro forma.

<sup>6</sup> Case No. 2006-00172, Application of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky for an Adjustment of Electric Rates (Ky. PSC December 21, 2006).

8. Refer to Northern District's response to Staff's First Request, Item 26.
  - a. For each expenditure listed in Schedule 1 of this Request identify if the expenditure was expensed or capitalized. Provide the account number and the account title in which it was recorded.
  - b. Several of the expenditures to Hemmer Pangburn DeFrank PLLC are identified as general. Provide a partial list of the legal services that are identified as general.
  - c. Several of the expenditures to Hemmer Pangburn DeFrank PLLC are identified as litigation. Provide a description of the legal services identified in the response as litigation.
9. Given the recent court decision<sup>7</sup> regarding the Commission's authority to approve surcharges, if Northern District is required to cease collecting the Sub-District Surcharges as of the date of the Order, calculate the impact this would have on Northern District's base rates. Include copies of all workpapers, calculations, and assumptions used in the determinations.



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

Dated: August 10, 2007

cc: Parties of Record

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<sup>7</sup> Commonwealth of Kentucky, ex rel. Gregory D. Stumbo, Attorney General v. Ky. Public Service Comm'n and Union Light Heat and Power Company, Franklin Circuit Court, Division I, Civil Action No. 06-CI-269 (Aug. 1, 2007).

Northern District  
Case No. 2007-00135  
Test-Period Expenditures

<u>Transaction</u>	<u>Journal</u>	<u>Check</u>	<u>Vendor</u>	<u>Description</u>
<u>Date</u>	<u>Number</u>	<u>Number</u>		
01/09/06	155,956	43,366	Viking Supply, Inc.	4 36" Butterfly Valves
01/14/06	156,334	43,432	Hemmer Pangburn DeFrank PLLC	Cincinnati Steel Treating
01/14/06	156,334	43,432	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution
01/14/06	156,334	43,432	Hemmer Pangburn DeFrank PLLC	General
01/14/06	156,334	43,432	Hemmer Pangburn DeFrank PLLC	Litigation
01/14/06	156,354	43,452	MALCOLM PIRNIE, INC.	Services – Ripple Creek Improvements
01/23/06	156,685	43,548	Burgess & Niple	Services – Ida Spence & Carbon Silo
01/23/06	156,694	43,557	Ferguson Waterworks	24 – 36" Megalugs
01/23/06	156,697	43,560	Gemmer and Sons J	New Service Installation for Dec 2005
01/23/06	156,703	43,566	Hughes, PSC., John N.	Legal Services – Engineering
01/23/06	156,703	43,566	Hughes, PSC., John N.	Legal Services – Rate Case
01/23/06	156,740	43,603	Viox & Viox Inc.	Main Line Construction
01/30/06	157,044	43,628	Gemmer & Sons, Inc.	22 Hours of Excavation
01/30/06	157,046	43,630	Gleason Electric Inc	Install Heat Trace at TMTP Pump Station
01/30/06	157,053	43,637	Hemmer Pangburn DeFrank PLLC	Cincinnati Steel Treating
01/30/06	157,053	43,637	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution
01/30/06	157,053	43,637	Hemmer Pangburn DeFrank PLLC	General
01/30/06	157,053	43,637	Hemmer Pangburn DeFrank PLLC	Litigation
02/06/06	157,403	43,722	Hughes Supply Inc	3 – 36" Butterfly Valves
02/06/06	157,403	43,722	Hughes Supply Inc	3 – 36" Butterfly Valves
02/20/06	158,174	43,887	Black and Veatch	2005 Rate Case Assistance
02/20/06	158,177	43,890	Burgess & Niple	Services for 2005 Water Tank & Painting
02/20/06	158,232	43,945	VonLehman & Company Inc.	Finalization of Internal Control Project
02/27/06	158,454	43,962	Black and Veatch	2005 Rate Case Assistance
<u>Transaction</u>	<u>Journal</u>	<u>Check</u>	<u>Vendor</u>	<u>Description</u>
<u>Date</u>	<u>Number</u>	<u>Number</u>		
02/27/06	158,471	43,979	Gemmer & Sons, Inc.	New Service Installation for Jan 2006
03/20/06	159,524	44,211	Burgess & Niple	2005 Water Storage & Planning
03/20/06	159,538	44,225	Gemmer & Sons, Inc.	New Service Installation for Feb 2006
03/20/06	159,544	44,231	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution
03/20/06	159,544	44,231	Hemmer Pangburn DeFrank PLLC	General
03/20/06	159,544	44,231	Hemmer Pangburn DeFrank PLLC	Litigation
03/20/06	159,545	44,232	Hughes, PSC., John N.	Rate Case
04/10/06	160,638	44,555	Water Works Supplies Inc	Trench Hydrants and Pressure Regulators
04/17/06	160,931	44,615	Ranger Construction Services Inc.	New Water Service Installations
04/24/06	134,518	44,685	Hemmer Pangburn DeFrank PLLC	General Utility Legal Matters
04/24/06	134,532	44,699	No Ky Area Planning Commission	GIS Services Overhead
04/24/06	134,547	44,714	Utility Service Co., Inc.	Ida Spence Tower Painting
05/15/06	135,695	44,924	Hughes, PSC., John N.	Depreciation / Rate Case
05/22/06	136,141	45,010	Bingham and Taylor Inc	18" Meter Crocks Lids

Wit

05/22/06	136,177	45,046	Jasper Engine and Transmission	Engine for Truck #260
05/22/06	136,197	45,066	Prescott, Inc., Everett J.	200 Valve Box Extensions
05/26/06	136,376	45,101	Black and Veatch	2005 Rate Case
05/26/06	136,381	45,106	Creative Waste Management	Sedimentation Removal from Reservoir
06/05/06	136,779	45,191	Creative Waste Management	Sedimentation Removal from Reservoir
06/12/06	137,055	45,280	Ranger Construction Services Inc.	Install Water Services
06/12/06	137,059	45,284	SLC Meter Service Inc	35,000 Pieces of Soft Copper Tubing
06/19/06	137,397	45,348	Hayes Pipe Supply	1000 8" Ductile Iron Pipe
06/19/06	137,439	45,390	Viox & Viox Inc.	Survey of the Kenton Lands Road Site
06/26/06	137,793	45,429	Grimes Promotional Products	250 Golf Umbrellas
06/26/06	137,797	45,433	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution
07/03/06	138,217	45,507	Black and Veatch	Depreciation Study
07/03/06	138,217	45,507	Black and Veatch	Service for TMTP Basin Evaluation
07/17/06	138,777	45,680	Ranger Construction Services Inc.	New Service Installation for June 2006
07/24/06	139,212	45,752	Hughes, PSC., John N.	Legal Services – Engineering
07/24/06	139,212	45,752	Hughes, PSC., John N.	Legal Services – Rate Case
07/31/06	139,524	45,848	Delaney & Associates Inc	2 Dudley Pumps Station Hydro Pumps
08/21/06	140,613	46,093	Black and Veatch	Final Payment for TMTP Evaluation
08/21/06	140,635	46,115	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution
08/21/06	140,635	46,115	Hemmer Pangburn DeFrank PLLC	General
Transaction	Journal	Check		
<u>Date</u>	<u>Number</u>	<u>Number</u>	<u>Vendor</u>	<u>Description</u>
08/21/06	140,635	46,115	Hemmer Pangburn DeFrank PLLC	Litigation
09/01/06	141,603	46,333	GRW Engineers, Inc	Painting & Structural Repairs – TM Standpipe
09/22/06	142,473	46,522	Frost Brown Todd LLC	Litigation – NKWD vs. Wessels
09/25/06	142,607	46,589	Frost Brown Todd LLC	Litigation – NKWD vs. Wessels
09/22/06	142,476	46,592	GRW Engineers, Inc	Painting & Structural Repairs – TM Standpipe
09/22/06	142,479	46,595	Hughes, PSC., John N.	Depreciation Rate Case
09/22/06	142,479	46,595	Hughes, PSC., John N.	Cross Connection
09/22/06	142,479	46,595	Hughes, PSC., John N.	Sub-district F
09/22/06	142,479	46,595	Hughes, PSC., John N.	Depreciation Study
10/16/06	143,786	46,851	Frost Brown Todd LLC	Litigation – NKWD vs. Wessels
10/16/06	143,818	46,883	Ranger Construction Services Inc.	New Service Installation for Sep 2006
10/23/06	144,076	46,972	Utility Service Co., Inc.	Final Payment for Ida Spence Tank Painting
10/30/06	144,519	47,019	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution
10/30/06	144,519	47,019	Hemmer Pangburn DeFrank PLLC	General
11/20/06	145,635	47,276	GRW Engineers, Inc	Painting & Structural Repairs – TM Standpipe
11/20/06	145,639	47,280	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution
11/20/06	145,639	47,280	Hemmer Pangburn DeFrank PLLC	General
11/20/06	145,639	47,280	Hemmer Pangburn DeFrank PLLC	Litigation
11/20/06	145,640	47,281	Hughes, PSC., John N.	MPTP
11/20/06	145,640	47,281	Hughes, PSC., John N.	Sub-district F
11/20/06	145,640	47,281	Hughes, PSC., John N.	Tariff Review
11/20/06	145,640	47,281	Hughes, PSC., John N.	Popular Ridge
11/20/06	145,640	47,281	Hughes, PSC., John N.	Training
11/20/06	145,640	47,281	Hughes, PSC., John N.	Service Line Issues
11/20/06	145,640	47,281	Hughes, PSC., John N.	Rate Case
11/20/06	145,640	47,281	Hughes, PSC., John N.	Cross Connection
11/20/06	145,683	47,324	Viox & Viox Inc.	Engineering – Water Main Project Cost Updates
12/04/06	146,158	47,404	Black and Veatch	Depreciation Study

12/04/06	146,221	47,467	Viox & Viox Inc.	Engineering – Horsebranch Road 6" Main Ext.
12/11/06	146,610	47,517	GRW Engineers, Inc	Painting & Structural Repairs – TM Standpipe
12/13/06	146,844	47,581	Coney Island, Inc.	Deposit for Company Picnic
12/13/06	146,877	47,614	Ranger Construction Services Inc.	New Services for Nov 2006
12/14/06	146,940	47,636	Hemmer Pangburn DeFrank PLLC	Engineering & Distribution
12/14/06	146,940	47,636	Hemmer Pangburn DeFrank PLLC	General
Transaction	Journal	Check		
<u>Date</u>	<u>Number</u>	<u>Number</u>	<u>Vendor</u>	<u>Description</u>
12/14/06	146,940	47,636	Hemmer Pangburn DeFrank PLLC	Litigation
12/22/06	147,324	47,677	Hughes, PSC., John N.	Sub-District F
12/22/06	147,324	47,677	Hughes, PSC., John N.	Depreciation Case
12/22/06	147,324	47,677	Hughes, PSC., John N.	Conference Dates
12/22/06	147,324	47,677	Hughes, PSC., John N.	Draft Exhibits for Dudley