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Commonwealth of Kentucky
Before the Public Service Commission

APR 16 2009
PUBLIC SERVICE
COMMISSION

In the Matter of:

NOTICE OF INTENT OF WATER SERVICE)
CORPORATION OF KENTUCKY TO FILE) Case No. 2008-00563
APPLICATION FOR RATE ADJUSTMENT -)
HISTORICAL TEST PERIOD)

ATTORNEY GENERAL'S
REQUEST FOR INFORMATION TO
KENTUCKY WATER SERVICE CORPORATION

The Attorney General, by and through his Office of Rate Intervention and pursuant to the Commission's 3 April 2009, Order of procedure, submits this Request for Information to the Kentucky Water Service Corporation. The Attorney General notes that he has the option to augment the request by the submission of additional questions through 30 April 2009.

(1) For each request that seeks information that the Applicant will also provide in response to a Commission Staff request, an express cross-reference to the appropriate Staff request is a satisfactory response.

(2) Please identify the Applicant's witness who will be prepared to answer questions concerning each request.

(3) These requests are continuing. Therefore, if the Applicant receives or generates additional information within the scope of these requests between

the time of the initial response and the time of any evidentiary hearing, then the Applicant is to supplement the applicable response(s).

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, work-paper or information as requested does not exist, but a similar document, work-paper or information does exist, provide the similar document, work-paper, or information.

(6) To the extent that any answer for a request is by way of a computer printout, please identify each variable contained in the printout that would not be self evident to a person not familiar with the printout.

(7) If the Applicant objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

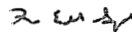
(9) In the event any document called for has been destroyed or transferred beyond the control of the Applicant state: the identity of the person

by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

WHEREFORE, the Attorney General submits this Request for Information.

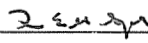
Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL


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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of this pleading were served and filed by hand delivery to Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601. Furthermore, service was through mailing a true and correct of the same, first class postage prepaid, to John N. Hughes, 124 W. Todd St., Frankfort, Kentucky 40601, all on this 16th day of April 2009.


Assistant Attorney General

**Attorney General's
Request for Information to
Kentucky Water Service Corporation**

- 1) Please identify and describe any ratemaking adjustments and/or ratemaking methodologies used in the instant rate proceeding that have not previously been addressed and/or adopted by the Kentucky Public Service Commission.
- 2) RE: Application, Numbered Paragraph 1. Please identify the owner or owners of Utilities, Inc.
- 3) RE: Application, Numbered Paragraph 1. Please identify any entity that was supplying debt capital to Utilities, Inc., on 31 December 2008. Include in the response the corresponding amount of debt and as well as the cost rate for each entity.
- 4) RE: Application, Numbered Paragraph 3. Please indicate whether the operating results for the wastewater contract (both revenues and expenses) have been removed from the test period. If not, then explain why not. If yes, then explain how the operating results have been removed and provide a schedule showing the adjustments.
- 5) RE: Application, Numbered Paragraph 3. Please provide the number of customers served by Middlesboro operations for each of the following dates: 31 December 2005, 31 December 2006, 31 December 2007, and 31 December 2008.
- 6) RE: Application, Numbered Paragraph 3. Please provide the number of customers projected for the Middlesboro operations for each of the following dates: 31 December 2009, 31 December 2010, 31 December 2011, and 31 December 2012.

- 7) RE: Application, Numbered Paragraph 4. Please provide the number of customers served by the Clinton operations for each of the following dates: 31 December 2005, 31 December 2006, 31 December 2007, and 31 December 2008.
- 8) RE: Application, Numbered Paragraph 4. Please provide the number of customers projected for the Clinton operations for each of the following dates: 31 December 2009, 31 December 2010, 31 December 2011, and 31 December 2012.
- 9) RE: Application, Numbered Paragraph 12. With regard to witness Pauline Ahren, CRRA, for each rate proceeding since 1 January 2007, in which Ahern provided testimony, provide a copy of the testimony.
- 10) Please confirm that Water Service Corporation of Kentucky (WSCK) is a for-profit Kentucky business entity.
- 11) Please identify the members of WSCK's board of directors.
- 12) Please identify the officers of WSCK.
- 13) Please provide a copy of WSCK most recent strategic business plan (the plan containing, but not limited to, projections of income, investment, debt, cost rates, operating budgets, etc.).
- 14) Please provide a copy of Utilities, Inc.'s most recent strategic business plan (the plan containing, but not limited to, projections of income, investment, debt, cost rates, operating budget, etc.).
- 15) Is WSCK a member of the National Association of Water Companies (NAWC)? If yes, please identify the payments to NAWC.
- 16) Is Utilities, Inc., a member of NAWC? If yes, please identify the payments to NAWC and, if applicable, any allocation of the costs to KWSC.
- 17) Please confirm that WSCK does not file a separate federal tax return. If it does, then provide a copy of the federal return for each year, 2005, 2006, 2007, and 2008.

- 18) Please confirm that WSCK is a participating entity in a consolidated federal tax return and provide a copy of the federal return for each year, 2005, 2006, 2007, and 2008.
- 19) For any membership or organizational dues paid by or on behalf of WSCK, identify the entity, the amount of dues, whether rate-recovery is sought for the payment, and, if applicable, the basis for seeking recovery through rates.
- 20) For any costs allocated to WSCK pursuant to an incentive plan, please provide all studies and analyses performed or commissioned that quantify the benefits that the incentive plan provides to its ratepayers.
- 21) For any costs allocated to WSCK pursuant to an incentive plan, please provide all studies and analyses performed or commissioned that address how the costs of incentive compensation programs should be allocated between shareholders and ratepayers.
- 22) With regard to Project Phoenix, please supply all materials from the Deloitte presentation referenced on page 5 of John D. Williams' pre-filed testimony.
- 23) With regard to Project Phoenix, please provide all studies and analyses performed or commissioned that quantify the benefits that the project provides to Kentucky ratepayers.
- 24) With regard to Project Phoenix, please provide the Minutes for all Utilities, Inc., Board of Directors' meetings in which Project Phoenix was discussed.
- 25) With regard to Project Phoenix, please provide the Minutes for all WSCK Board of Directors' meetings in which Project Phoenix was discussed.
- 26) With regard to the JDE system, please provide all studies and analyses performed or commissioned that quantify the benefits that the system provides to Kentucky ratepayers.
- 27) With regard to the CC&B system, please provide all studies and analyses performed or commissioned that quantify the benefits that the system provides to Kentucky ratepayers.

- 28) Notwithstanding any prior question, please provide the Minutes for all WSCK Board of Directors' meetings in which allocations to Kentucky of either the JDE or CC&B systems were discussed.
- 29) Does WSCK engage in business development activities? If yes, please describe the activities and identify the corresponding costs.
- 30) To the extent any changes or revisions are made to the filing data based on errors/omissions/revisions found after the WSCK filed its case, please provide a listing and description of these required changes/revisions, as well as the impact on the WSCK filed revenue requirement.
- 31) For any aspect of WSCK's operations that are competitively bid, please provide a narrative explaining how WSCK bids the works (The narrative should include a discussion regarding how WSCK provides notice of the opportunity to bid. For each method of notice, please provide an illustrative sample of that type of notice. For example, if WSCK provides notice via a newspaper, then provide a photocopy of a newspaper notice. If WSCK utilizes requests for proposals, then please provide a sample RFP.
- 32) Please provide a copy of the most recent bond rating agency report (Standard & Poor's, Moody's and Finch) for Utilities, Inc. [Note: Reports provided should be most recent complete multi-page, in-depth report, not a one or two-page update.]
- 33) Since 1 January 2006, has any other jurisdiction ordered a management audit for a Utilities, Inc., subsidiary or operating company? If yes, please provide a copy of the Order requiring the audit and a copy of the audit if complete.
- 34) Please provide the amortization schedule for any currently existing deferred debits.
- 35) Please provide a schedule for the outside consulting fees paid during the test year and for the post-test year to date.
- 36) RE: Application, Numbered Paragraph 30. Please explain why an operating budget is not prepared by the company.

- 37) RE: Application, Exhibit 4. Please explain or otherwise describe the basis for a proposed "Operating Margin" of 13.81%. Include with the explanation all work papers and memoranda relating to its development.
- 38) RE: Application, Exhibit 4 (Trial Balance 06/30/08). For numbers 1580, 1585, 1590, and 1595, please provide a description for each of these accounts and the activity these accounts are to reflect.
- 39) RE: Application, Exhibit 4 (Trial Balance 06/30/08). Rates case expense. Please provide the projected amount of rate case expense and current amount of rate case expense for this rate case.
- 40) RE: Application, Exhibit 4 (Trial Balance 06/30/08). For any deferred charge, please supply a copy of the Order, letter, or other indication of authorization from the Kentucky Public Service Commission that permits the establishment of a deferred debit.
- 41) RE: Application, Exhibit 4 (Trial Balance 06/30/08). Please provide the detail relating to the deferred charge for relocation expenses (when the relocation took place, who was relocated, etc.) and explain why the recovery of this expense through rates should be considered.
- 42) RE: Application, Exhibit 4 (Trial Balance 06/30/08). Please provide the detail relating to the deferred charge for employee fees (the fees being paid, the employee on behalf the fees are paid) and explain why the recovery of this expense through rates should be considered.
- 43) RE: Application, Exhibit 4 (Trial Balance 06/30/08). Please provide the detail relating to the deferred charge for vocational testing (the testing, the necessity for the test, etc.) and explain why this is a deferred charge.
- 44) RE: Application, Exhibit 17. The right hand column on the copy of the 30 June 2008 Balance Sheet provided to the Attorney General is not legible/readable. Please provide a legible/readable copy of this document.
- 45) RE: Application, Exhibit 17. Please provide the accounts payable ledger for "Accounts Payable-Trade" for the test year.

- 46) RE: Application, Exhibit 17. Please provide the accounts payable ledger for "A/P – Assoc. Companies" for the test year.
- 47) State the amount of Hydro Star's ownership in Utilities, Inc., as of the following dates, 1 January 2006, 1 January 2007, 1 January 2008, and 1 January 2009.
- 48) RE: Application, Exhibit 4 (Trial Balance 06/30/08). For Number "5870," please explain why any amount of holiday expense and picnics should be included in rates.
- 49) RE: Application, Exhibit 4 (Trial Balance 06/30/08). Number "5900," please provide a summary of the charges that comprise "Other Office Expenses." For each expense amount over \$200.00, provide a copy of the billing statement or invoice.
- 50) RE: Application, Exhibit 4 (Trial Balance 06/30/08). Number "6205," please provide all vouchers for "Travel Entertainment."
- 51) RE: Exhibit 10 (reconciliation of rate base and capital). Please explain the plant acquisition adjustment of \$162,892 (in terms of how it was created, its corresponding accounting treatment, and its corresponding rate treatment).
- 52) RE: Exhibit 10 (reconciliation of rate base and capital). Please confirm that the new billing system corresponds to an increase in rate base of \$178,715. If not, please identify the amount of increase to rate base for this system.
- 53) For WSCK, what was the cost of billing a customer on a per customer basis prior to the new billing system?
- 54) For WSCK, what is the cost of billing a customer on a per customer basis consequent to the new billing system?
- 55) RE: Exhibit 15. Please explain the difference between purchased water under the description "5435 Purchased Water" and "5425 Purchased Water." For each account, identify the vendor and provide a copy of each billing statement for the test period.

- 56) RE: Exhibit 15. Please explain the difference between electric power expense under the description "5465.10 Elec Pwr-W" and "5465.13 Elec Pwr-W" For each account, identify the vendor and provide a copy of each billing statement for the test period.
- 57) RE: Exhibit 15. Please identify the payment(s) for "5870 Holiday Events/." For this account, identify the vendor(s) and provide a copy of each billing statement for the test period.
- 58) RE: Exhibit 15. For "5890 Publ Subscripti," provide a schedule that lists each publication and explain why it is necessary.
- 59) RE: Exhibit 15 "6005 Accounting Stud." Please explain this item and provide invoices and a copy of the study.
- 60) RE: Exhibit 15. "6205 Travel Entertai." Please provide a copy of each billing statement or voucher (if reimbursement, a copy of the receipt used as support for reimbursement).
- 61) RE: Exhibit 16. How does WSCK know that the charges for services rendered under the 19 December 2007 Agreement are reasonable?
- 62) RE: Exhibit 16. Does the 19 December 2007 Agreement include a profit margin? If yes, then what is the margin?
- 63) RE: Exhibit 16. For each type of service provided under the 19 December 2007 Agreement, provide the corresponding cost rate.
- 64) RE: Exhibit 16. If the cost billed by the service company does not include a markup for profit, then how does this reconcile with the fact that under the Agreement the allocation of the cost of the Service Company's rate base including a return on the equity invested is part of the Operating Company's agreement to pay?
- 65) Exhibit 15. Please confirm that Steven Lubertozi signed the agreement for WSCK in his capacity as Vice President and Chief Financial Officer of Water Service Corporation as well as in his capacity as Vice President and Chief Financial Officer or Water Service Corporation of Kentucky. Who were the members of the board of directors who authorized him to enter into the agreement?

- 66) What is the formula for determining an equivalent residential customer?
- 67) RE: Application, Exhibit 17. Please provide a balance sheet for WCK for each of the following dates: 30 September 2008, 31 December 2008, and (when available) 31 March 2009.
- 68) RE: Application, Exhibit 18 (Footnote). Please confirm that the "g/l additions from December to March 2008" should read "g/l additions from December 2008 to March 2009." If this is not the case, then please identify the corresponding time frame.
- 69) RE: Application, Exhibit 19. Please confirm that the installation of the security camera system was for facilities in Kentucky. (If not, then please identify the location of the facilities.) Further, please provide a description of the project and include a copy of the RFP.
- 70) Please provide a consolidating balance sheet for Utilities, Inc., (an accounting balance sheet in which all of the holding company's subsidiaries are displayed with their actual capital structure and consolidated into the parent company). If the information does not exist, please indicate through a comprehensive narrative how the holding company prepares a consolidated balance sheet and include in the narrative the actual consolidation process as applied to the information pertaining to the WCK for the most recent year available.
- 71) RE: For each jurisdiction in which Utilities, Inc., has a subsidiary or operating company, provide a schedule showing the most recent Commission Order establishing a return on equity for that the Utilities, Inc., subsidiary or holding company in that jurisdiction.
- 72) Please confirm that the Applicant is adjusting certain expense items based upon an increase in the consumer price index. Please provide the study or analyses showing the correlation or predictive value between the CPI and each expense item.
- 73) Did WCK conduct any study or review of how Kentucky jurisdictional water utilities of comparable size (in terms of metrics such as customer count, net plant, sales, etc.) put together a rate case? If yes, please provide the study. If no, then please explain why not.

- 74) Did WSCK conduct any study or review of how Kentucky jurisdictional water utilities of comparable size bill their customers? If yes, please provide the study. If no, then please explain why not.
- 75) RE: Question 7 in John D. Williams' pre-filed direct testimony. Please confirm that when Mr. Williams' is discussing the evaluation of "the state of the Company's processes and systems" he is discussing Utilities, Inc.'s overall processes (enterprise-wide) processes and systems rather than simply the processes and systems of WSCK.
- 76) RE: John D. Williams' pre-filed direct testimony. Please identify, with specificity, the gaps between the pre-Project Phoenix Utilities, Inc., processes and the best practices at a well-run water utility.
- 77) On a per customer basis, identify the cost of the Project Phoenix that has been allocated to Kentucky.
- 78) Please describe the customer service offices in Clinton and in Middlesboro in terms of what they do including the scope of their authority to resolve billing disputes.
- 79) Please provide the relevant Order of the Kentucky Public Service Commission through which WSCK received approval for the use of its current depreciation rates.
- 80) Please identify WSCK's 10 largest non-residential customers and their usage by year for each year 2006, 2007, and 2008.
- 81) Please provide a copy of the text of each press release or any media communication by or on behalf of WSCK for the period of 1 January 2007 to date.
- 82) For each jurisdiction in which Utilities, Inc., has a subsidiary or an operating company, please provide the corresponding customer count as of 1 January 2007, 1 January 2008, and 1 January 2009.
- 83) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007, please indicate why Bio-Tech is not allocated any Office Salary.

- 84) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007, please confirm that Northbook Office (in terms of its location on the organization chart provided in response to PSC 1 – 2) is Water Service Corporation and explain why it is allocated Office Salary.
- 85) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007, please indicate why Virginia, Pennsylvania, New Jersey, Indiana, and Ohio are not allocated any Office Salary.
- 86) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007, please provide this Office with a copy of pages 2 of 6, 3 of 6, and 5 of 6 that containing the entire schedule.
- 87) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007 (page 3 of 6), please identify and explain the basis for each allocation to Kentucky (and include any corresponding billing invoices, charge sheets, or similar documents supporting the charges).
- 88) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007 (page 6 of 6), please identify (in terms of its location on the organization chart provided in response to PSC 1 – 2) the operating unit containing the Mississippi Office.
- 89) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007 (Distribution of Computer Costs, page 7 of 7), please identify and provide the basis for distribution of costs to Bio Tech and indicate whether the formula for distributing computer costs to Bio Tech differs from the formula for distributing computer costs to Kentucky.
- 90) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007 (Distribution of General Expenses), please confirm that WSCK was allocated \$323.00 for Account Number 6329014 (Tax Return Review).
- 91) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007 (Customer Equivalentents), please identify the terms in the third column represented by the letters "W," "S," "D," and "C."
- 92) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007 (Distribution of Expenses for Computer Operating Costs), please explain why the "Total Invoices" for WSCK and the corresponding "% of Total" is so large relative to the other companies listed in this report.

- 93) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007 (Adjustment to Allocate WSC Rate Base), please indicate whether WSC, itself, has any retail or wholesale customers subject to the jurisdiction of the Kentucky Public Service Commission.
- 94) With regard to the Distribution of Expenses 4th Quarter Ended December 31, 2007 (Adjustment to Allocate WSC Rate Base), please indicate whether WSC considers this expense as a cost in the nature of overhead. If not, please identify the nature of the expense.
- 95) With regard to Water Service Corporation of Kentucky's Response to the PSC's 3 April 2009 Order, Item 3 (r), is it WSCK's position that the depreciation rates utilized by the prior owner were not approved by the Kentucky Public Service Commission? If yes, please explain the basis for this position.
- 96) With regard to Water Service Corporation of Kentucky's Response to the PSC's 3 April 2009 Order, Item 3 (r), could the organizational costs alleged not to have been booked been discovered at the time of the acquisition by a due diligence review? If no, then please explain why not.
- 97) With regard to Water Service Corporation of Kentucky's Response to the PSC's 3 April 2009 Order, Item 3 (r), please explain why this adjustment is not a collateral attack upon prior Commission Orders (for which there has been a procedural default of further consideration through the expiration of the time for seeking administrative rehearing or judicial review).
- 98) With regard to Water Service Corporation of Kentucky's Response to the PSC's 3 April 2009 Order, Item 3 (r), in light of the allegations contained in this adjustment, does WSCK also propose to provide ratepayers with a remedy for the fact that expenses have previously been overstated by virtue of depreciating plant too quickly? If yes, what is the remedy? If no, why is a remedy not necessary?
- 99) With regard to Water Service Corporation of Kentucky's Response to the PSC's 3 April 2009 Order, Item 4, please indicate whether WSCK is accruing interest on the rate case expense for this proceeding.
- 100) With regard to Water Service Corporation of Kentucky's Response to the PSC's 3 April 2009 Order, Item 5, please indicate whether it is WSCK's position that WSCK does not have a separately identifiable capital structure and a separately identifiable net investment rate base for

its Kentucky operations subject to the jurisdiction of the Kentucky Public Service Commission.

- 101) With regard to Water Service Corporation of Kentucky's Response to the PSC's 3 April 2009 Order, Item 8, please provide all invoices, billing statements, charge orders, or similar documentary support for Other Miscellaneous Expense.
- 102) With regard to Water Service Corporation of Kentucky's Response to the PSC's 3 April 2009 Order, Item 9, how does WSCK identify specific cash disbursements made on behalf of WSCK?
- 103) With regard to Water Service Corporation of Kentucky's Response to the PSC's 3 April 2009 Order, Item 24, is it WSCK's representation that WSCK portion of federal tax liability is lower than it would otherwise be if WSCK filed a separate, "stand-alone" tax return?
- 104) With regard to Water Service Corporation of Kentucky's billing of its customers, for each WSCK customer dispute of a bill for the period running from the beginning of the test period to date, provide a schedule that identifies the date of the commencement of the dispute, the nature of the dispute, the date of the resolution of the dispute, and a description of the resolution.
- 105) In their 10 October 2005 Response to Question 3 of the first data request of Commission Staff in Ky PSC Case No. 2005-00323, the Joint Applicants discuss the relationship between Highstar II and the AIG Global Investment Group. With regard to the response, please answer the following:
 - a. Does AIG Global Investment Group (AIGGIG) still sponsor Highstar II. If not, then please indicate the date that the sponsorship ended and the reasons for the termination of the sponsorship.
 - b. Does AIGGIG, through its affiliates, still have an obligation to commit not less than 10% of the aggregate capital commitments of the Fund? If no, then please indicate the date that the obligation ended and the reason for the termination of the obligation.
 - c. In the case of Highstar, does AIGGIG's total limited partner still commit approximately 12.5%? If not, then please identify the amount.