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June 12, 2009

Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RECEIVED

JUN 12 2009

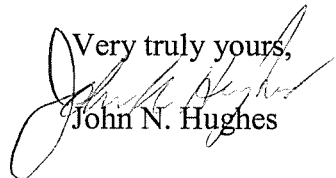
PUBLIC SERVICE
COMMISSION

Re: Case No. 2008-00563

Dear Mr. Derouen:

Attached are the responses of Water Service Corporation of Kentucky to the PSC's Third Data Request and the remaining responses to the Attorney General's Initial Data Request. Each response includes a disk with the attachments and invoices requested by the Attorney General.

If you have any questions about this matter, please contact me.

Very truly yours,

John N. Hughes

Attorney for WSCK

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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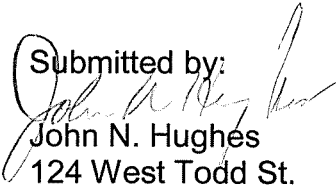
PUBLIC SERVICE
COMMISSION

In the Matter of:

Application of Kentucky Water)
Service Corporation of Kentucky) Case No. 2008-00563
For an Adjustment of Rates)

RESPONSES TO PSC ORDER OF MAY 29, 2009

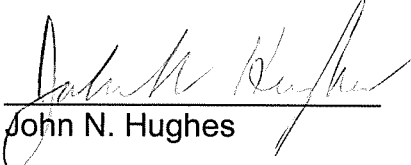
Water Service Corporation of Kentucky, by counsel, submits its responses to the Commission's order of May 29, 2009.

Submitted by:

John N. Hughes
124 West Todd St.
Frankfort, KY 40601

Attorney for Water Service
Corporation of Kentucky

Certificate of Service:

A copy of this response was delivered to parties of record, the 12th day of May, 2009.


John N. Hughes

1. Refer to Responses 12 and 13 to the Commission Order of May 1, 2009.
Provide a work paper showing the salaries of the 11 Kentucky operators and show the other divisions worked by Mr. Martin Scanlon.

RESPONSE

Witness: Lowell Yap

Please see corresponding attached documents regarding the salaries of the 11 Kentucky operators. The other divisions worked by Mr. Martin Scanlon are in North Carolina, Virginia, and Tennessee.

2. Refer to Response 14 to the Commission Order of May 1, 2009.

a. List, by name, the taxing jurisdictions that make up the general ledger account numbers 3451 00.7555 and 3451 03.7555.

b. Explain the reference to Bruce Bennett which appears on the electronic file provided to the Commission.

c. Reconcile the difference between the figure of \$40,970 referenced in the data response and the figure of \$51,407, which is the total of the invoices.

RESPONSE:

a. Witness: Lowell Yap 345100.7555 – Bell County in Kentucky. 345103.7555 – WSC allocation from the parent company in Illinois Cook County to Kentucky.

b. Witness: Lowell Yap - Bruce Bennett is the Bell County Sherriff, taxes are collected at the Bell County Sheriff's office.

c. Witness: Lena Georgiev

Please see attached work sheet.

3. Refer to Response 4 to the Commission Order of May 1, 2009 and Case No. 2006-00067, Proposed Adjustment to the Wholesale Water Rate of the City of Lawrenceburg, Kentucky (Ky. PSC Nov. 21,2006).

a. Defend Water Service's position that the Consumer Price Index is a reasonable estimate of changes in the cost of providing service to its customers in light of the Commission's decision in Case No. 2006-00067.

b. State whether Water Service considered indexing factors other than the general Consumer Price Index in adjusting its expenses. Explain.

c. Provide any known citations to orders of this Commission or other similar agency in another state that accept Consumer Price Index adjustments in a rate case using a historical test period.

RESPONSE

Witness: Lena Georgiev

a. WSCK believes that the CPI can be used as a tool in evaluating the trend of costs that increase over time. Based on the actual cost increases that are reflected in the adjustments included in the application, the additional cost increases related to the CPI simply cover any other costs that have increased but are not itemized in the pro forma adjustments, which might be the case if a cost of service study were performed. As indicated in (b) and (c), this adjustment is accepted by other jurisdictions in which Utilities, Inc. operates and is included in this filing to provide consistency in the ratemaking process.

b. No other factors were considered.

c.

Witness: Lowell Yap

North Carolina

Carolina Trace in North Carolina – Docket No. 2008-W-1013, Sub 7

CWS Systems, Inc – Docket No. W-778, Sub 81

Carolina Water Service, Inc of NC – Docket No. W-354, Sub 314

North Carolina Pending

Carolina Pines Utility, Inc. – Docket No. W-1151, Sub 5

Nero Utility Services, Inc. – Docket No. W-1151, Sub 6

Transylvania Utilities, Inc – Docket No. W-1012, Sub 12

4. Refer to Response 5 to the Commission Order of May 1, 2009. The response provided to Item 5 is identical to the response provided to Item 2(c).

a. At page 10 of her direct testimony, Ms. Georgiev states the filing also includes \$36,282.69 for organizational costs in utility plant in service that was not booked at the time of acquisition. State the purpose of the organizational costs and explain why these costs were not booked at the time of the acquisition and why the organizational costs should be included in Water Service's rate base.

b. Provide documentation to support Water Service's claim that the organizational costs were not recorded when they were incurred.

c. Provide the life over which Water Service proposes to recover the organizational costs.

RESPONSE:

Witness: Lena Georgiev

Even though the costs were incurred over 10 years ago, they represent costs that were spent to organize the Company that did not have to be spent during its acquisition. Please see the enclosed journal entry which does not include these organization costs. These costs have a proposed life of 40 years.

5. Water Service lists \$6,000 for consulting fees for the company's rate case. Provide the name of the vendor to whom this was paid, an explanation of the service provided, and a copy of the invoice or invoices.

RESPONSE:

Witness: Lowell Yap

Please refer to the previously provided items to Response 12 to the Commission Order of May 1, 2009, Data Request 1, in the cd sent back in May.

Name of the Vendor: Please refer to the previously provided excel file titled "Item 12 Rate Case.xls" on Line 270 in Tab General Ledger provided in DR 1 Item 12. The name of the Vendor is AUS Consultants, Inc.

Explanation of Service Provided: Professional Services provided by Pauline Ahern. Please refer to the previously provided .pdf titled "Item 12 Invoice 3.PDF".

Copy of the Invoice: Please refer to the previously provided copy of the invoice titled, "Item 12 Invoice 3.PDF". We have attached another copy of the invoice with the corresponding response.

6. Refer to Response 24 to the Attorney General's Data Request.

a. Identify all expenses associated with the Utilities, Incorporated's Board of Directors meetings during the test period that were allocated to Water Service.

b. If any expenses were allocated to Water Service, identify all costs associated with the Board of Directors meetings.

c. If any expenses were allocated to Water Service, provide a breakdown of expenses for the Board of Directors meetings into the different general ledger accounts.

RESPONSE:

Witness: Lowell Yap

Please refer to the corresponding attachments. Using the amounts from the corresponding attachments, the total allocation of expenses associated with the Utilities, Inc BOD meetings is \$124.09.

Total BOD Expenses (Larry and John) \$4,447.84 multiplied by the ERC for WSC of KY of 2.79% is \$124.09

7. Refer to Response 78 to the Attorney General's Data Request.

a. With no customer service office in Clinton, Kentucky, explain how billing disputes are handled for customers in Clinton.

b. Identify the phone number that Clinton Customers are instructed to call for billing disputes.

Witness: Martin Lashua

Response: Clinton KY customers may call our Kentucky office in Middlesboro, Kentucky for any and all billing queries, disputes or concerns. The number is a local number for Clinton, KY customers [270] 653-3621. This number is automatically forwarded to our Middlesboro office. Our customers would contact our Middlesboro KY office first and of which we are confident can address any customer service billing problem. However, our customer service staff may reach our Regional Office Manager in NC by phone or email to assist with resolution of any issue.

8. State whether Water Service's requested rate base includes the allocation of the service company's rate base. If yes, state why Water Service is seeking to recover an allocation of the service company's rate base.

RESPONSE:

Witness: Lena Georgiev

Yes, WSC of Kentucky's rate base includes the allocation of the service company. The service company is located in Northbrook, which is the corporate office. All corporate activities are performed out of this office. While it would be impossible to directly assign rate base and expenses associated with the corporate office, it is appropriate to include an allocation in order to properly reflect the rate base associated with the corporate office that benefits WSC KY customers. While the WSC KY is not aware of any Kentucky order stating allowable recovery, WSC KY's affiliated companies have all had their portion of the service company's rate base recovered in rate proceedings in the other states in which Utilities, Inc. operates.

9. Identify any instances where this Commission has allowed a utility to recover the allocation of the service company's rate base.

RESPONSE:

Witness: Lena Georgiev

Please see response to item 8.