

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

\* \* \* \* \*

In the Matter of:

APPLICATION OF GAINSBORO UTILITIES, )  
INC., FOR AUTHORITY TO ACQUIRE THE )  
ASSETS OF NETTLECREEK TREATMENT PLANT, )  
INC., IN JEFFERSON COUNTY, KENTUCKY; ) CASE NO. 9470  
AUTHORITY TO BORROW THE NECESSARY )  
FUNDS TO FINANCE PURCHASE AND A )  
PETITION FOR AN ADJUSTMENT OF THE )  
RATES CHARGED CUSTOMERS )

O R D E R

IT IS ORDERED that Gainsboro Utilities, Inc., ("Gainsboro") and Nettlecreek Treatment Plant, Inc., ("Nettlecreek") shall file an original and 7 copies of the following information with this Commission with a copy to all parties of record by January 27, 1986. Gainsboro and Nettlecreek shall be jointly responsible for the responses to this Order. For each response, identify the witness who will be available at the public hearing for responding to questions concerning each area of information requested. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. State the date that Gainsboro began operating the system.

2. The application reflects that the assets purchase agreement between Gainsboro and Nettlecreek was performed February 8, 1983. State the reasons why Gainsboro waited over 2 years

before filing an application for approval of the sale and transfer.

3. Explain why the December 31, 1984, Balance Sheet filed as Exhibit K does not agree with the December 31, 1984, Balance Sheet contained within the 1984 Annual Report. Provide a reconciliation and state which balance sheet is correct.

4. Explain why the Income Statement for the period ending December 31, 1984, filed as Exhibit K does not agree with the Income Statement for the period ending December 31, 1984, contained within the 1984 Annual Report. Provide a reconciliation and state which income statement is correct.

5. With reference to Gainsboro's 1984 Annual Report, page 3, line 25, provide a complete explanation of the factors that resulted in the \$5,500 balance in Account No. 233--Notes Payable to Associated Companies. Provide a statement as to the proposed rate-making treatment of this liability.

6. With reference to Gainsboro's 1984 Annual Report, page 3, line 26, provide a complete explanation of the factors that resulted in the \$25,556 balance in Account No. 234--Accounts Payable to Associated Companies. Provide a statement as to the proposed rate-making treatment of this liability.

7. With reference to Gainsboro's 1984 Annual Report, page 3, line 36, provide a complete explanation of the factors that resulted in the \$170,657 balance in Account No. 253--Other Deferred Credits.

8. With reference to the 1984 Annual Report, page 9, line 9, provide a detailed analysis of the following expenses. Include

in the analysis the check or voucher number, payee, the amount, the date, and a description of the services, materials, and/or labor provided in each transaction. Items of less than \$50 may be grouped with a general description of the costs included in each group.

<u>Account Number</u>	<u>Account</u>	<u>Amount</u>
701-C	Sludge Hauling	\$4,480
701-C	Other Labor, Materials & Expenses	1,060
710-A	Routine Maintenance Service Fee	6,456
714	Maintenance Treat. & Disp. Plant	6,422
923	Outside Services Employed	1,567
924	Insurance Expense	813

9. With reference to the 1984 Annual Report, reconcile the Depreciation Schedule on page 5, which reflects depreciation expense of \$10,903, with page 8, line 25, which reflects depreciation expense of \$9,351.

10. Provide either copies of test-year utility bills or a detailed analysis which includes monthly consumption, amount billed, and the rates of each vendor supplying utility service.

11. Explain the reason for the increase in the following expense accounts from 1983 to 1984:

<u>Account</u>	<u>1983 Expense</u>	<u>1984 Expense</u>
Sludge Hauling	\$ 1,050	\$ 4,480
Power Purchased	7,073	12,155
Misc. General Expense	622	1,550

12. Provide copies of contracts for Sludge Hauling, Routine Maintenance Service and Management Service.

13. Provide copies of the monthly remittance advices for the test period from Louisville Water Company. Also, provide the

current contract for billing services and a detailed explanation of the basis for this fee.

14. Provide an analysis of expenses associated with this rate case. The analysis should include the following information:

a. A schedule of the hourly rates for legal, accounting and engineering costs that will be charged to Gainsboro for this rate case.

b. A detailed description of the legal, accounting and engineering services to be provided in this case and an estimate of the number of hours that will be charged to Gainsboro for the services.

c. Actual expenses which have been incurred to date for legal, accounting and engineering services.

d. The basis for the amounts listed for legal, accounting and engineering costs included within the rate case expense breakdown.

15. Provide a statement setting forth the reasons for the sale and transfer.

16. Provide a statement setting forth the improvements expected due to the sale and transfer.

17. Provide a statement explaining how the purchase price was determined.

18. Provide statements indicating the approval of the transfer by any creditors having liens on the assets of seller.

19. Provide copies of any feasibility or other studies performed to determine that the purchase is economically feasible.

20. Provide the proposed journal entries on the books of both the purchaser and the seller that will reflect the sale and transfer.

21. Provide a closing balance sheet for the acquired utility.

22. Provide a statement explaining why the proposed form of business combination to be used is preferred over other forms of business combinations.

23. Provide a statement showing projected annual revenues and expenses of the utility under the new ownership, including a detailed explanation of how the projected annual revenue and expenses were determined.

24. Provide a statement setting forth the complete details of proposed operating changes under the new ownership, including changes in management.

25. Provide copies of any operational, material or service contracts to be placed into effect upon acquisition of the utility by the purchaser.

26. Provide a statement setting forth any financial resources available to the purchaser other than those contained in the financial statements.

27. With reference to Section 2.03, Purchase Price, of the Purchase Agreement (Exhibit A), state the principal and interest due on the date of closing on the \$90,000 note dated July 11, 1979.

28. Explain the reason for any difference between the requested approval of \$143,000 in financing and the purchase price.

29. State Gainsboro's proposed rate-making treatment of the principal and interest if the requested financing is approved.

30. With reference to Account No. 271--Contributions in Aid of Construction, provide evidence supporting the balance which indicates that none of the cost of the plant was recovered through the sale of lots.

Done at Frankfort, Kentucky, this 14th day of January, 1986.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

\_\_\_\_\_  
Secretary