

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE VERIFIED JOINT APPLICATION OF TRI-VILLAGE)	
WATER DISTRICT AND KENTUCKY-AMERICAN)	CASE NO.
WATER COMPANY FOR THE APPROVAL OF THE)	2001-094
TRANSFER OF THE OWNERSHIP OF THE ASSETS)	
OF TRI-VILLAGE WATER DISTRICT TO)	
KENTUCKY-AMERICAN WATER COMPANY)	

FIRST DATA REQUEST OF COMMISSION STAFF

Kentucky-American Water Company (“Kentucky-American”) and Tri-Village Water District (“Tri-Village”) (collectively “Applicants”), pursuant to 807 KAR 5:001, are to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due within 10 days of the date of this pleading. The Applicants may file a joint response to these data requests. 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 person 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 herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The Applicants shall include in each response the name of the individual(s) who provided the information needed or responded to the data request.

1. Provide a copy of Tri-Village's 2000 Annual Report.
2. Provide the journal entries Kentucky-American will record to reflect the purchase of Tri-Village.
3. Provide the journal entries Tri-Village will record to reflect the sale of its assets to Kentucky-American.
4. Provide in comparative form Kentucky-American's balance sheet before and after purchase of Tri-Village's assets.
5. Provide in comparative form Tri-Village's balance sheet before and after sale of Tri-Village's assets.
6. Tri-Village's 1998 depreciation schedule is attached to the application as Exhibit 1, "Tangible Assets of the Tri-Village Water District Potable Water System." Provide a copy of Tri-Village's 2000 depreciation schedule.
7. On page 3 of its application, Kentucky-American states that it has reduced Tri-Village's accumulated depreciation by \$429,910 to eliminate the depreciation of plant supported by Contributions in Aid of Construction ("CIAC"). Provide copies of all workpapers, computations, and assumptions used by Kentucky-American to arrive at its proposed adjustment to accumulated depreciation.
8. Provide a detailed analysis of Tri-Village's CIAC showing the source of each contribution, the date the contribution was received, the amount of the contribution, a statement as to whether the contribution is subject to refund, and the reason the contribution is required to be refunded. The analysis of CIAC should be equal to the amount recorded in Tri-Village's 2000 Annual Report.

9. On page 3 of the application, Kentucky-American states that it will make improvements over time to Tri-Village's distribution system. Provide an analysis of the expected improvements showing the anticipated time line, a brief description of each improvement, the projected cost for each improvement, and a description of how each improvement will be funded.

10. Provide an analysis of Tri-Village's current and long-term debts, which should include the lender's name, the date the debt was incurred, the original amount of the indebtedness, and the amount outstanding as of December 31, 2000.

11. In Case No. 9059,¹ the Commission determined that "[t]he burden of proof is upon the utility to justify its investment at the price in excess of the net original cost based on economic and quality of service criteria." To meet this burden of proof, the Commission established the criteria a utility must meet in order to recover any investment in excess of the net original cost ("plant acquisition adjustment"). Provide evidence to show that Kentucky-American's proposed purchase of Tri-Village meets the following criteria:

- a. The purchase price was established upon arm's-length negotiation.
- b. The initial investment plus the cost of restoring the facilities to required standards will not adversely impact the overall costs and rates of the existing and new customers.
- c. Operational economies can be achieved through the acquisition.

¹ Case No. 9059, An Adjustment of Rates of Delta Natural Gas Company, Inc., Order issued September 11, 1985.

d. The purchase price of utility and non-utility property can be clearly identified.

e. The purchase price will result in overall benefits in the financial and service aspects of the utility's operations.

12. Will Kentucky-American issue any form of indebtedness or stock to fund its proposed purchase of Tri-Village?

13. Provide the embedded cost per customer of Tri-Village, including the plant acquisition adjustment. Include copies of all workpapers, computations, and assumptions used by Kentucky-American in its determination. How does this embedded cost compare to Kentucky-American's current embedded cost per customer?

14. What is the anticipated effect of the New Columbus project on the rates of customers currently served by Tri-Village?

a. If Kentucky-American intends to seek a rate increase related to this project, what percent increase do you expect to request?

b. If you intend to seek a rate increase related to this project, have you determined the rate you will propose? If so, provide a detailed calculation on how you arrived at that proposed rate.

15. Does Kentucky-American intend to adopt and impose Tri-Village's current rates on file with the Commission until the New Columbus project is completed?

16. What are the anticipated, respective dates to begin and complete construction of the New Columbus project?

17. Is Kentucky-American now, or has it ever been, in negotiations to purchase the water system of the city of Owenton ("Owenton")?

18. Provide a comparison of the cost per thousand gallons of water purchased from Owenton and as produced by Kentucky-American.

19. Is Kentucky-American in negotiations at this time to purchase water from any source other than Owenton?

20. How does Kentucky-American intend to include any acquisition adjustment from its purchase of Tri-Village?

21. a. Does Kentucky-American intend to continue to purchase water from Owenton?

b. If Kentucky-American plans to cease taking water from Owenton,

(1) When will it cease purchasing water from Owenton?

(2) How will the cessation of purchases affect Owenton's operations?

(3) Is such cessation of purchases permitted under the Tri-Village-Owenton Water Purchase Contract? Explain.

22. Provide a list of all of Tri-Village's current employees.

a. For each Tri-Village employee who will not be hired by Kentucky-American, explain why that employee will not be hired and the amount of any severance package, including benefits.

b. Provide the job duties and salary of each Tri-Village employee whom Kentucky-American will hire.

c. Will the hiring of any Tri-Village employee fill any current vacancies at Kentucky-American? If so, what position? How long has this position been vacant?

d. Who will supervise the Tri-Village employees hired by Kentucky-American?

23. a. Did any of the Tri-Village employees whom Kentucky-American will hire take any part in the decision to sell Tri-Village to Kentucky-American?

b. If yes, describe each such employee's role in that decision.

24. Set forth the total amount of Tri-Village's current liabilities.

25. Should any of the purchase price remain after Tri-Village pays its current debt, what will Tri-Village do with that excess money?

26. If there is insufficient money to pay all of Tri-Village's debt, how will Tri-Village pay any remaining debt?

27. Provide the current status of the Wheatly project.

28. Has Kentucky-American determined when and/or where it intends to expand the current Tri-Village system? If yes, describe Kentucky-American's plans for expansion of the Tri-Village system.

29. Will Tri-Village pay all customer deposits prior to close? If no, will Tri-Village transfer these deposits to Kentucky-American?

30. Has Tri-Village implemented the rate increase approved in Case No. 99-177?² If no, why not?

31. Has Tri-Village purchased or sold any assets not identified at the time the October 13, 1999 sale contract was signed?

² Case No. 99-177, The Purchased Water Adjustment of Tri-Village Water District.

a. For each item purchased, identify the item, the date purchased, its cost and any affect on the purchase price.

b. For each item sold, identify the item, the date sold, its sale price and any affect on the purchase price.

32. a. Has Tri-Village obtained Rural Development's ("RD") approval for the proposed sale of assets?

b. If no, state when such approval will be sought.

c. If yes, provide evidence that RD has approved the proposed sale.

33. Provide a copy of the minutes of each meeting of the Tri-Village Board of Commissioners in which the proposed sale or any sale or transfer of assets to a third party was discussed.

34. a. Has the city of Owenton, Kentucky ever discussed with Tri-Village the possibility of acquiring Tri-Village's facilities?

b. If yes, state the date of each discussion and describe these discussions.

35. a. While negotiating the sale of its water distribution system to Kentucky-American, did Tri-Village advise Owenton of such negotiations?

b. If yes,

(1) State the date that Owenton was advised.

(2) Describe how Owenton was advised.

(3) If Owenton was advised in writing, provide a copy of the written notice.

36. Describe how Kentucky-American's acquisition of Tri-Village's water distribution system is consistent with Owen County's Water Supply Management Plan.

37. Describe Tri-Village's obligations to purchase water from Owenton under its Water Purchase Contract with Owenton.

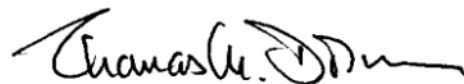
38. What other costs associated with its acquisition of Tri-Village, if any, does Kentucky-American expect to incur and to include in any proposed acquisition adjustment?

39. The Asset Purchase Agreement between Tri-Village and Kentucky-American was executed on October 13, 1999, but not submitted to the Commission until April 10, 2001. Explain the delay in the submission of the Agreement to the Commission for its approval.

40. Describe any negative effect this merger may have upon Owenton and its water distribution system.

41. a. Will Kentucky-American create a separate legal entity to operate the Tri-Village system?

b. If yes, provide the following, as applicable: the name of the entity or organization; its original incorporators or members; the number and name of any shareholders or members; and the name of the board of directors, officers or presiding members.



Thomas M. Dorman
Executive Director
Public Service Commission
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P. O. Box 615
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DATED: May 3, 2001

cc: All Parties