

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF AQUA/KWS,)	
INC., UTILITIES OF KENTUCKY, INC., AND)	
WATER SERVICE CORPORATION OF)	
KENTUCKY FOR APPROVAL OF THE)	
TRANSFER OF THE OWNERSHIP OF THE)	CASE NO. 2002-00142
ASSETS OF AQUA/KWS, INC. AND)	
UTILITIES OF KENTUCKY, INC. TO WATER)	
SERVICE CORPORATION OF KENTUCKY)	
PURSUANT TO THE PROVISIONS OF)	
KRS 278.020(4, 5) AND 807 KAR 5:001(8))	

COMMISSION STAFF S INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that Aqua/KWS, Inc. (Aqua), Utilities of Kentucky, Inc. (UKI), Utilities, Inc. (Utilities), and Water Service Corporation of Kentucky (Water Service) (collectively, Joint Applicants) file with the Commission within 7 days of the date of this request the original and eight copies of the following information, with a copy to all parties of record. 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 is 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.

1. Refer to Page 6, Item 21 of the Joint Application. State whether Water Service intends to transfer or eliminate any Aqua employees after the initial transition phase.

2. Will Water Service convert Aqua's customers to new customer service and billing systems? If yes, explain the steps Water Service will take to ensure a smooth transition to these new systems.

3. Are Aqua employees protected by a collective bargaining agreement? If yes, state whether Water Service intends to fulfill the terms of the agreement if the Commission approves this acquisition.

4. Identify all states in which Utilities operates.

a. Provide all required service quality and performance reports for each of these states.

b. Identify any quality of service concerns that have been noted in orders from these states for the last 5 years.

5. Provide a copy of the journal entries Aqua will record to reflect the sale of its assets to Water Service.

6. Provide a copy of the journal entries Water Service will record to reflect the purchase of Aqua's assets.

7. a. Provide detailed and itemized schedules of the total costs related to the asset purchase incurred by Water Service or Utilities as of the date of this request.

b. Provide detailed and itemized schedules of the total costs related to the asset purchase that Water Service or Utilities expects to incur.

8. a. Provide detailed and itemized schedules of the total costs related to the asset purchase incurred by Aqua or UKI as of the date of this request.

b. Provide detailed and itemized schedules of the total costs related to the asset purchase that Aqua or UKI expects to incur.

9. State whether Aqua will bear any of the costs incurred by Water Service or Utilities that are related to the asset purchase.

10. Joint Applicants state that the proposed purchase price of \$3,150,084 represents the fair market value of Aqua's assets. Provide copies of any analysis or study performed by Joint Applicants to support their representation.

11. In Case No. 9059,¹ the Commission determined, The 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 Water Service's proposed purchase of Aqua's assets meets the following criteria:

a. The purchase price was established by arm's-length negotiation.

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

b. The initial investment plus the cost of restoring the facilities to required standards will not adversely affect the rates charged to existing and new customers.

c. Operational economies can be achieved through the acquisition.

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. In prior transfer cases, the Commission has mandated that the acquiring utility agree not to recover any plant acquisition adjustment from the ratepayers. In these instances the excess paid over the net book values is borne by the stockholder. Provide Joint Applicants' position regarding this approval condition.

13. Provide a complete description of the process used by Water Service and Utilities to arrive at the purchase price of \$3,150,084.

14. Describe how Water Service proposes to finance the purchase of Aqua's assets.

15. According to the Agreement for Purchase and Sale of Assets, the purchaser will assume the liability for customers' deposits. Administrative Regulation 807 KAR 5:006, Section 7(6), requires that interest on customers' deposits be paid on an annual basis either by refund to the customers or a credit on the customers' bills.

a. Has Aqua paid interest on customers' deposits annually as required by regulation?

b. What is the current liability for accrued interest on customers deposits?

c. How will the liability for accrued interest on customers deposits be handled?

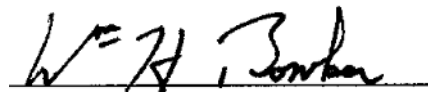
16. According to information provided in the application, Nuon, NV, a Dutch public limited liability company, is acquiring Utilities.

a. What is the status of this transaction?

b. Have all necessary regulatory approvals been obtained?

c. When is the transaction expected to be completed?

d. Will completion of this transaction affect the customers currently served by Aqua if the proposed transfer of assets is approved by this Commission?



William H. Bowker
Deputy Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

Dated: May 22, 2002

cc: Parties of Record