



fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Exhibit 1 of the application, Adjustment C, Owner/Manager Fee. Ridgelea states that the Owner/Manager Fee was adjusted to \$9,055 to reflect the fees that were allowed in its 2008 rate case.<sup>1</sup> However, as reported in the 2008 Annual Report,<sup>2</sup> Charles Hungler, Jr., Ridgelea's President, was paid \$2,050 to manage the day-to-day operations of Ridgelea's system.

a. Provide a detailed list of the management duties being performed by Mr. Hungler.

b. In its report in Case No. 2008-00364, Staff states that "[b]y all accounts Ridgelea's owner is heavily involved and spends significant time in operational matters for these aged and failing plants."<sup>3</sup> Does Mr. Hungler track the amount of hours he spends performing the daily management of Ridgelea?

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<sup>1</sup> Case No. 2008-00364, Application for Rate Adjustment of Ridgelea Investments, Inc. Pursuant to the Alternative Rate Adjustment Procedure for Small Utilities (Ky. PSC Dec. 8, 2008).

<sup>2</sup> Annual Report of Ridgelea to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2008 ("2008 Annual Report") at 9.

<sup>3</sup> Staff Report dated October 14, 2008, Attachment A, Adjustment B, Owner/Manager Fee.

(1) If yes, provide documentation to support the number of hours Mr. Hungler devotes to the management of Ridgelea.

(2) If no, given that this is a less-than-arm's-length transaction, provide documentation to show that Mr. Hungler's annual salary of \$9,055 is reasonable.

2. In its report in Case No. 2008-00364, Staff states that "the owner often responds in person to frequent emergency situations associated with the Franklin County sewers despite his location in Cincinnati, Ohio."<sup>4</sup> Provide a copy of the vehicle log documenting the number of trips Mr. Hungler made to the Franklin County treatment plants during calendar year 2008. For each documented trip, state the purpose of the visit and identify the treatment facility that was visited.

3. Given that Mr. Hungler's residence is in Cincinnati, Ohio and Ridgelea is located in Kentucky, quantify any benefits that the ratepayers of Ridgelea receive from this arrangement.

4. Provide a calendar year 2008 general ledger showing account number, subaccount number, account title, subaccount title, and all entries to each account. For each entry, state the date paid, vendor name, check number used to make payment, and the amount. The general ledger shall include all asset, liability, capital, income, and expense accounts used by Ridgelea. All accounts should show activity for 12 months. Show the balance in each control account and all underlying subaccounts per company books. The 2008 general ledger should be provided on a computer disk in Microsoft Office Excel format.

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<sup>4</sup> Id.

5. For each cash account used by Ridgelea during the calendar year 2008, provide a cash disbursements ledger that lists all checks in chronological order and details the date paid, check number, vendor, and amount. The 2008 cash disbursements ledger should be provided on a computer disk in Microsoft Office Excel format.

6. Provide a copy of the audited financial statements for the 12-month period ending December 31, 2008. Include a copy of all audit adjustments made to the financial statements. If those audited financial statements are not currently available, give an estimated date that this information will be submitted to the Commission.

7. Refer to Exhibit 1 of the application, Pro Forma Income Statement. Ridgelea operates wastewater facilities located in Franklin County and in Grantland, Kentucky. Provide a separate income statement for each operation for the calendar year 2008. For each operating revenue or expense account that is allocated between the two facilities, state the allocation factor used and give the reason for using each allocation factor.

8. Attached to the application is an Agreed Order between the Energy and Environment Cabinet and Terrance Hungler, Charles G. Hungler III, Charles G. Hungler, Jr. d/b/a Perfect-A-Waste Sewage Equipment Co., and Ridgelea Investments, Inc. ("Agreed Order"). Provide a signed copy of the Agreed Order.

9. When it has been determined that an owner/manager of a wastewater utility has neglected his duties and responsibilities, the Commission has found that the owner/manager is not entitled to any level of compensation.<sup>5</sup> Given this past Commission

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<sup>5</sup> Case No. 2003-00284, Application of Mallard Point Disposal Systems, Inc. for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities (Ky. PSC May 27, 2004).

determination, the Notices of Violations that were issued against Ridgelea, and the Agreed Order, explain why Mr. Hungler should be entitled to any level of compensation.

10. According to the Agreed Order, Mr. Hungler surrendered his wastewater treatment plant certification. The Agreed Order also requires that the “Waste Water Treatment Plants in Franklin County, Kentucky shall be operated by an independent, properly certified operator.”<sup>6</sup>

a. Identify Ridgelea's current licensed operator and state the distance the licensed operator lives from the Franklin County treatment facilities.

b. Provide a signed copy of the contract between Ridgelea and the licensed operator.

c. Compare the current monthly operator fee to the monthly fee that was paid by Ridgelea in 2008. Also, identify the operator that Ridgelea used in 2008, identify the expense account in which the monthly fee was recorded, and state the total fee that was paid to the operator in 2008.

d. Provide a copy of the most recent invoice received from the operator that documents the monthly fee.

11. The Agreed Order states that “[w]ithin sixty (60) days from the entry of this order Ridgelea investments, Inc. shall initiate an Infiltration and Inflow (I&I) study from Leak Eliminators, LLC or any other experienced person or entity approved by the Division of Water.”<sup>7</sup> Ridgelea is using Hall Environmental Consultants (“Hall Consultants”) to perform

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<sup>6</sup> Agreed Order at 7.

<sup>7</sup> Id. at 4-5.

the I&I study. Attached to the application is an April 20, 2009 letter from Hall Consultants stating that the estimated cost of the I&I study is \$26,000.

a. Explain in detail the process Ridgelea used in choosing Hall Consultants to perform the I&I study.

b. Provide a list of the companies that Ridgelea contacted regarding the I&I Study and provide copies of any bids that were received.

c. Provide documentation to show that Hall Consultants is an entity that is approved by the Division of Water.

d. Ridgelea proposes to use an 18-month surcharge to recover the cost of its I&I study. Provide documentation to support Ridgelea's proposed 18-month surcharge period.

12. Refer to Exhibit 1 of the application, Adjustment D, Agency Collection Fee. Ridgelea states that it is aware of the Commission's concerns regarding Farmdale Water District's 15-percent billing and collection fee and that Ridgelea is taking steps in an attempt to control these costs. Those concerns were expressed in Case No. 2007-00436, wherein the Commission placed Farmdale Development Corporation on notice that "in any future rate proceeding it will be required to demonstrate the reasonableness of its agency collection fee expense and to show that it has undertaken reasonable efforts to develop an alternative to its present collection methods, including the conducting of its own billing and collection."<sup>8</sup>

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<sup>8</sup> Case No. 2007-00436, Application of Farmdale Development Corporation for an Adjustment in Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities (Ky. PSC July 30, 2008) at 15.

a. Provide a detailed analysis and supporting documentation to show that the 15-percent billing and collection fee Ridgelea is paying to the Farmdale Water District is reasonable.

b. Provide a detailed explanation of the direct correlation between the rate being billed and the cost incurred to provide the billing and collection services.

c. Provide a detailed analysis and discussion of the steps Ridgelea has undertaken to control its billing and collection expense.

d. State whether Ridgelea has explored the possibility of conducting its own customer billing and collection. Provide a detailed analysis of the costs that would be incurred by Ridgelea if the customer billing and collection function were performed in-house. Include copies of all workpapers, assumptions, and calculations used to develop Ridgelea's cost analysis.

e. According to Ridgelea, the cost of its customer billing and collection at the Grantland treatment facility is \$2.00 per bill, or a 6.67-percent<sup>9</sup> rate per monthly bill.

(1) Identify the entity that is performing the customer billing and collection at the Grantland treatment facility and provide a copy of the current contract.

(2) Explain whether Ridgelea has contacted the entity that is performing the customer billing and collection at the Grantland treatment facility to see if it would provide the same service at the Franklin County facilities.

13. Refer to Exhibit 1 of the application, Adjustment E, Outside Service Employed. According to Ridgelea, the Agreed Order requires that certain laboratories be used to collect and analyze all of the samples from the Franklin County treatment plants.

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<sup>9</sup> \$2.00 (Billing and Collection Fee) ÷ \$30.00 (Monthly Bill) = 6.67%.

The Agreed Order requires that the effluent testing be performed by either McCoy & McCoy Laboratories, Inc., Appalachian States Analytical, LLC, or Fouser Environmental Service Consultants ("Fouser").

a. Explain in detail the process Ridgelea used in choosing Fouser to perform the effluent testing at the Franklin County treatment plants. Include copies of the cost estimates that Ridgelea received from each laboratory.

b. Explain in detail why the only retests are required at the Edgewood treatment plant.

c. Provide copies of the Fouser invoices that have been received in 2010.

14. The Agreed Order states that "[i]t is agreed McCoy & McCoy Laboratories, Inc. and Appalachian States Analytical, LLC and Fouser be retained to collect and analyze all samples at all Kentucky facilities operated by Perfect-A-Waste or any company, affiliate or entity owned by the individual Hunglers, where Perfect-A-Waste or any such affiliates (other than the owner of said facility) are responsible for providing laboratory services."<sup>10</sup> State the company that is responsible for effluent testing at the Grantland treatment plant and explain why the testing is not being performed by one of the three companies identified in the Agreed Order.

15. Refer to Exhibit 1 of the application, Adjustment F, Amortization Expense. Ridgelea is proposing to amortize the costs relating to the reconditioning and painting of the three Franklin County treatment facilities over a three-year period. To support the cost incurred to recondition and paint the treatment facilities, Ridgelea attached to the application the invoices from Perfect-A-Waste Sewage Equipment Co. that total \$12,418.

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<sup>10</sup> Agreed Order at 7.



a. Given that this is a less-than-arm's-length transaction, provide documentation to show that the costs incurred to recondition and paint the Franklin County treatment facilities are reasonable.

b. Ridgelea proposes to amortize the costs incurred to recondition and paint the Franklin County treatment facilities over three years. Provide documentation to support Ridgelea's proposed three-year amortization period.

c. Provide the date the treatment facilities were originally installed and the depreciation life used by Ridgelea.

16. Refer to Exhibit 1 of the application, the pro forma income statement. For each expense account listed in Table 1 below, provide a schedule listing each item recorded in this account and copies of the invoices to support each item.

	<u>Account Title</u>	<u>Amount</u>
a.	Fuel & Power	\$ 12,193
b.	Sludge Hauling	\$ 1,935
c.	Maintenance Treatment/Disposal Plant	\$ 46,049
d.	Maintenance of Other Plant	\$ 3,500
e.	Outside Service Employed	\$ 27,782



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Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
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DATED: MAR - 3 2010

cc: Parties of Record

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