

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF CLASSIC)	
CONSTRUCTION, INC. AND KENTUCKY-)	CASE NO.
AMERICAN WATER COMPANY FOR THE)	2016-00222
TRANSFER OF THE RIDGEWOOD)	
WASTEWATER ASSETS)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO CLASSIC CONSTRUCTION INC. AND
KENTUCKY-AMERICAN WATER COMPANY

Kentucky-American Water Company ("KAWC") and Classic Construction Inc. ("Classic Construction") (collectively "Joint Applicants"), pursuant to the 807 KAR 5:001, are to file with the Commission the original in paper medium, six paper copies, and an electronic version of the following information. The information requested herein is due on or before August 19, 2016. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Joint Applicants shall make timely amendment to any prior response if they obtain information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which KAWC or Classic Construction fails or refuses to furnish all or part of the requested information, KAWC or Classic Construction shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should 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 filling a paper containing personal information, Joint Applicants shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. In Case No. 2013-00258, finding that Classic Construction had materially misstated the account balances reported in its 2012 Balance Sheet, the Commission ordered Classic Construction to properly report the account balances for Utility Plant in Service, Other Deferred Debits, Miscellaneous Operating Reserves, Accumulated Depreciation, Other Current Assets, Retained Earnings, and Contributions-in-Aid-of-Construction in its 2013 Annual Financial and Statistical Report that it would file with the Commission.¹

- a. Provide a detailed explanation as to why Classic Construction did
- b. not comply with the Commission's Order in Case No. 2013-00258.

¹ Case No. 2013-00258, *Application of Classic Construction, Inc. for Rate Adjustment for Small Utilities Pursuant to 807 KAR 5:076* (Ky. PSC Mar. 6, 2014), Final Order at 4 and 5.

c. Joint Applicants are to provide Classic Construction's revised balance sheets for calendar years 2013, 2014, and 2015 using the calendar year 2012 adjusted balance sheet at page 5 of the Commission Staff's report in Case No. 2013-00258.

d. Joint Applicants are to provide itemized schedules listing Classic Construction's plant additions and retirements for calendar years 2013, 2014, and 2015. Included in their response, Joint Applicants are to provide the reason(s) for each plant retirement and the funding source(s) for the plant additions.

e. Joint Applicants are to provide Classic Construction's depreciation schedule that includes the accumulated depreciation and the depreciation expense for calendar years 2013, 2014, and 2015.

2. Joint Applicants are to provide a copy of Classic Construction's most current balance sheet and income statement for a period ending not more than 90 days prior to the application date. For this response, Joint Applicants are to use the revised 2015 balance sheet provided in the response to Item 1.b. as the basis for Classic Construction's most current balance sheet.

3. Using Classic Construction's balance sheet provided in response to Item 2, provide the journal entries that KAWC will record to reflect the acquisition of Classic Construction.

4. Using Classic Construction's balance sheet provided in response to Item 2, provide the journal entries that Classic Construction will record to reflect the transfer of its assets to KAWC.

5. Provide an analysis of Classic Construction's current and long-term debts, including the lender's name, the date the debt was incurred, the original amount of the indebtedness, and the amount outstanding.

6. Refer to the Application, Exhibit A, Asset Purchase Agreement ("APA"), Paragraph 2.3, Consideration. The stated acquisition price of Classic Construction assets is \$15,000. Provide a copy of KAWC's assumptions, calculations, and work papers used to determine the acquisition price of \$15,000.

7. Provide copies of all correspondence, memoranda, electronic mail messages, and any other documents in which KAWC or its agents discuss the physical condition of Classic Construction's assets.

8. At page 3 of the Application, Joint Applicants state that KAWC's acquisition of Classic Construction is in the public interest. Provide a detailed discussion and documentation to support Joint Applicant's position.

9. List and provide a copy of each notice of violation ("NOV") that KAWC has received regarding the operation of its sewer facilities from the Kentucky Division of Water since January 1, 2010. State the current status of each NOV.

10. List and provide a copy of each NOV that Classic Construction has received regarding the operation of its sewer facilities from the Kentucky Division of Water since January 1, 2010. State the current status of each NOV.

11. Refer to the Application, Exhibit C, Customer Notice. KAWC is to provide cost-justification sheets supporting the following nonrecurring charges for the Classic Construction customers:

a.	Connection to Main (Tap-on Charge)	\$	750
b.	Disconnection of Water Service	\$	56
c.	Activation fee for new account	\$	28
d.	Disconnection from Main	\$	750
e.	Reconnection to Main	\$	750

12. Refer to Section 2.2(i) of the APA. The section states, in pertinent part, that "Customer Service Connections, which shall remain the property of the customer" are assets that are among the assets which are excluded under the APA.

a. State whether, under this section of the APA, the spur connection or wye is part of the Customer Service Connection. If not, describe the Customer Service Connection.

b. List the total number of Customer Service Connections for the Classic Construction system.

c. Of the total number of Customer Service Connections, state the number of connections that correspond to an undeveloped lot (or otherwise have yet to be connected to a building through the installation of a service line) and separately state the number of connections that correspond to a developed lot (and which connect to a building).

d. For any undeveloped lot for which a spur connection or wye exists and was installed to serve that lot, will KAWC charge a connection fee to a person who develops the property and seeks to connect a service line to the spur connection or wye? If so, state why and provide the cost justification for the connection fee.

13. Refer to Section 9.14 of the APA. Is either Joint Applicant aware of any claim or claims against Classic Construction by current customers of the Classic Construction system or individuals who have contributed property to the Classic Construction system concerning the right of the customer or individual to connect to the Classic Construction system? If so, list each claim and provide a description of the claim. If the claim is in litigation, identify the court in which the claim is pending and the docket or case number for the action.

14. Refer to Section 5.1 of the APA. The section states that KAWC, as "Buyer," is required to "have completed agreements with Peaks Mill Water District for shutting off water service for non-payment of sewer and the provision of water service data for operational purpose."

a. Provide a copy of each agreement between KAWC and Peaks Mill Water District.

b. Are there any lots in the Classic Construction service territory for which Peaks Mill Water District is not the water service provider? If so, state how many.

15. Refer to the tariff filed with the Application at P.S.C. Ky. No. 2, Original Sheet No. 22, Disconnection Charge, which states, "[t]he charge for the physical disconnection of the sewer service line from the collecting main shall be \$750."

a. Given that other portions of the proposed tariff provisions reference the discontinuance of water service for failure to pay a sewer service charge, explain the process, or steps, that KAWC will following in ordering the physical disconnection of the sewer service line from the collecting main.

b. Explain the circumstances, if any, in which KAWC would order the physical disconnection of the sewer service line from the collecting main in lieu of pursuing the disconnection of water service.

16. Refer to the tariff filed with the Application at P.S.C. Ky. No. 2, Original Sheet No. 10, Section 10(a), which states “[a]ll pipe, fittings, and equipment, between the Company’s collecting mains and the Customer’s Premise shall at all time be and remain the property of the Customer (Customer service line).” State whether, under this tariff provision, the spur connection or wye is part of KAWC’s collecting mains or, instead, part of the customer service line.

17. Refer to the tariff filed with the Application at P.S.C. Ky. No. 2, Original Sheet 25, which states, in pertinent part, it will be necessary for the customer to pay a charge of \$56 to cover the expense of turning on the water service.

a. Will the customer make the payment of \$56 to KAWC or to Peaks Mill Water District?

b. State the entity that will be responsible for turning on and turning off water service resulting from the nonpayment of a sewer service bill.

c. In addition to the payment of \$56 in the KAWC tariff, will the customer be required to pay any additional charge to Peaks Mill Water District in order to obtain a resumption of water service?

d. If Peaks Mill Water District requires a payment in addition to the payment of \$56 to KAWC in order for a customer to obtain a resumption of water service, explain why the customer should be required to pay both utilities a charge for

the resumption of water service following a discontinuance of service for nonpayment of a sewer service bill.

18. Refer to the tariff filed with the Application at P.S.C Ky. No. 2, Original Sheet No. 7, Discontinuance of Service, Section 4(c), which states: "In cases where plumbing has been installed prior to adoption of and not in accordance with these Rules and Regulations, and sewer service is being rendered through a single Customer service line to supply two or more Premises, the Company [KAWC] may enforce compliance with these rules by shutting off water service except that such action will not be taken until the Customers have been given a reasonable notice and opportunity to attach his or her pipes to a separately controlled Customer service line."

a. Explain why it would be necessary for a customer receiving service under the conditions described in Section 4(c) to attach his or her pipes to a separately controlled customer sewer service line if the method of discontinuance of service is through shutting off water service.

b. State whether Section 4(c) applies in situations in which the customer service sewer line is physically disconnected from KAWC's collecting main or whether it is limited to situations in which water service is discontinued.

c. The provision uses the term "may," indicating the ability to exercise discretion. Explain the factors that KAWC will considering in determining whether to enforce compliance by shutting off water service.

19. The tariff filed with the Application at P.S.C. Ky. No. 2, Original Sheet No. 7, Discontinuance of Service, Section 4(e), states "[t]he Franklin County Health Department will be notified for any physical disconnection of the service line to a

Ridgewood Subdivision customer.” Will the Franklin County Health Department be notified for any discontinuance of water service resulting from the non-payment of a sewer service charge? If so, state the entity responsible for providing notice. If not, state why.



Talina R. Mathews
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED AUG 02 2016

cc: Parties of Record

*Honorable Lindsey W Ingram, III
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*Kentucky-American Water Company aka
2300 Richmond Road
Lexington, KY 40502

*Linda C Bridwell
Director Engineering
Kentucky-American Water Company aka Kentucky
2300 Richmond Road
Lexington, KY 40502

*Monica Braun
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801