

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BUSH GARDENS)	
ENTERPRISES, LLC FOR APPROVAL OF)	
INITIAL SEWER RATES PURSUANT TO THE)	CASE NO.
ALTERNATIVE RATE FILING PROCEDURES)	2015-00306
FOR SMALL UTILITIES AND TARIFF)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO BUSH GARDENS ENTERPRISES, LLC

Bush Gardens Enterprises, LLC ("Bush Gardens" or "BGE"), pursuant to 807 KAR 5:001, shall file with the Commission the original and five copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this request. Responses to requests for information 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.

Bush Gardens shall make timely amendment to any prior response if it obtains 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 Bush Gardens fails or refuses to furnish all or part of the requested information, Bush Gardens 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 filing a paper containing personal information, Bush Gardens shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, pages 1 of 27 and 2 of 27, Item 4. On page 1, Linda Bowling is identified as the “sewer treatment provider.” On page 2, Item 4, it is stated that “The Operator’s separate and independent economic duress prompted this pursuit.”

a. State whether Linda Bowling as identified on page 1 is the “Operator” identified at page 2, Item 4.

b. If Linda Bowling is not the “Operator” identified on page 2, state the name of the “Operator.”

c. Provide a detailed discussion of what is meant by “separate and independent economic duress.”

2. Refer to the Application, page 1 of 27, Item 1. It states, “The Bush Gardens Subdivision sewer treatment plant [(“Bush Gardens Plant”)] has been in operation for nearly ten years.”

a. State the name of the individual(s) and/or entity/entities that caused the Bush Gardens Plant and related appurtenances to be constructed.

b. State the date that the Bush Gardens Plant and related appurtenances were first placed into service.

c. State whether the Bush Gardens Plant was constructed as part of the development of the Bush Gardens Subdivision.

(1) If it was not constructed as part of the development of the subdivision, state why it was constructed.

(2) State the number of vacant lots in the Bush Gardens Subdivision upon which the construction of new residential dwellings, or commercial property, may occur that will be served by the Bush Gardens Plant.

(3) Provide a discussion of the property that surrounds the Bush Gardens Subdivision and the possibility that the Bush Gardens Plant will provide sewer treatment services to either existing structures on this property, or new structures that may be constructed on this property in the future.

d. Provide a detailed description of each major plant item of the Bush Gardens Plant and related appurtenances. This description should include, but not be limited, to:

(1) the diameter and length of all collection and transmission main, and whether such main is gravity fed or force fed;

(2) the material from which the mains were manufactured, i.e., polyvinyl chloride, ductile iron, etc.;

(3) a description of all pumping stations, pumping equipment, and motors;

(4) the capacity of all holding tanks, aeration tanks, and wet wells;

(5) the treatment process utilized at the plant; and

(6) the plant's maximum daily treatment capacity.

e. State separately the total original cost to construct each of the major plant items described in response to Item 2.d. of this request.

f. State how the original cost to construct the plant was funded.

g. State whether the construction costs identified in Item 2.e. of this request were ever used to reduce the taxable income reported to either the federal or state taxing authorities by any or all of the individuals or entities identified in response to Item 2.a. of this request.

h. For each year that the plant has operated, state separately the annual amount incurred for each expense category listed below, and provide a detailed explanation for each yearly account variance that exceeds 5 percent:

(1) certified operator fees;

(2) chemicals (separated by chlorination and dechlorination);

(3) materials and supplies;

(4) sludge hauling (include the quantity hauled during each year as well as the cost); and

(5) maintenance of structures and improvements.

3. Refer to the Application, page 2 of 27, Item 9, and page 13 of 27, Item d.– Insurance. On page 2, it is stated that “the Operator created BGE, secured liability insurance. . .” and “. . .transferred the sewer treatment plant to BGE.”

a. State whether the Bush Gardens Plant, prior to its transfer to Bush Gardens, was covered by a general liability insurance policy that was secured by an affiliated company or individual.

b. If the Bush Gardens Plant was covered by a policy of an affiliate prior to its transfer, provide a copy of the policy and the allocation of the policy’s annual premium to all parties covered by the policy and explain why the Bush Gardens Plant could not continue to be covered by the same policy after its transfer to Bush Gardens.

c. If the Bush Gardens Plant was not covered by a general liability insurance policy prior to its transfer to BGE, state the reasons why it must be covered by a policy after its transfer.

4. Refer to the Application, pages 6 of 27, 10 of 27, and 12 of 27. On page 6, Item 9, Bush Gardens states that the calendar year ended December 31, 2014, is the test year upon which it proposes to establish rates. On page 10, Bush Gardens states, “The rates are based on...actual expenses for the 2014 calendar year.” On page 12, the amounts reported for all “Test Period” expenses are stated at \$0.

a. Provide a revised copy of page 12 that lists as the “Test Period” expenses the “actual expenses” that are referred to on page 10.

b. Provide supporting documentation, such as vendor invoices, for all historic expenses listed on the revised page 12 provided in response to Item 4.a. of this request.

5. a. State the effective date of the first Kentucky Pollutant Discharge Elimination System ("KPDES") permit that was issued to the Bush Gardens Plant by the Kentucky Division of Water ("DOW").

b. State the name of the certified operator retained to oversee the Bush Gardens Plant's operations for each year that a KPDES has been in effect.

c. State the amount of the annual fees charged by the certified operators identified in Item 5.b. of this request for each year that they were retained.

d. Provide a copy of all Notices of Violation issued to the Bush Gardens Plant by DOW.

6. Refer to the Application, page 13 of 27, Item a.–Owner/Manager Fee, and page 15 of 27. On page 13, Bush Gardens is proposing to include in its pro forma operating expenses an Owner/Manager fee of \$3,600. On page 15, Bush Gardens calculates its requested Net Operating Income ("NOI") in the amount of \$2,242 (\$18,682, Revenues, – \$16,441, Operating Expenses).

a. Confirm that the proposed owner/manager fee will be paid to Lance Bowling.

b. Provide a detailed list of the management duties that will be or are currently being performed by Mr. Bowling.

c. Does Mr. Bowling track the amount of hours he spends performing the daily management of Bush Gardens?

(1) If so, provide documentation to support the number of hours Mr. Bowling devotes to the management of Bush Gardens.

(2) If not, provide documentation to show that Mr. Bowling's proposed annual salary of \$3,600 is reasonable.

d. On page 15, Bush Gardens demonstrates that the proposed rates will generate a NOI in the amount of \$2,241 that will be available for dividend payments to its owners. By adding this amount to the requested \$3,600 owner/manager fee, it is apparent that Bush Gardens requested revenues will result in overall compensation in the amount of \$5,841 to its owner (\$2,241, NOI, + \$3,600, owner manager fee). Given the relatively small size of Bush Gardens' operations and customer base, explain why this level of owner compensation is necessary, appropriate, and reasonable.

7. Refer to the Application, page 13 of 27, Item b.—Power Bill.

a. Provide a copy of the purchased power invoices that total \$878.84.

b. If not provided on the invoices that are provided in response to Item 7.a. of this request, provide the account number and service address for these invoices. Bush Gardens shall request confidential treatment of the account number pursuant to 807 KAR 5:001, Section 13.

c. Provide a description of the use of the electrical power received by Bush Gardens in return for the payment of the invoices provided in response to Item 7.a. of this request.

8. Refer to the Application, page 13 of 27, Item c.—Routine Maintenance, and page 14 of 27. Attached to the Application is a bid from Michael Conley to perform the routine maintenance for Bush Gardens for a monthly fee of \$325.

a. Provide a copy of Mr. Conley's operators' wastewater certification.

b. Mr. Conley's bid states that he is to perform "[r]outine inspection of treatment plant and adding necessary chemicals." Provide the number of times Mr. Conley performs his routine inspection of the treatment plant in a seven-day week.

c. Provide a list of the licensed wastewater operators Bush Gardens contacted to operate the Bush Gardens Plant. Include copies of any bids that Bush Gardens received.

9. Refer to the Application, page 13 of 27, Item d.—Insurance.

a. Provide a copy of the general liability policy that was purchased by Bush Gardens for the amount of \$2,882.

b. Provide a copy of the canceled check that was used to pay the premium for the general liability policy.

10. Refer to the Application, page 13 of 27, Item e.—Office Expenses. Bush Gardens bases its pro forma office expense on \$3.50 per customer.

a. Provide a breakdown of the cost per customer, \$3.50, into its major components.

b. Include documentation to support each major cost component identified in the response to Item 10.a. of this request.

11. Refer to the Application, page 13 of 27, Item f.—Chemicals.

a. Provide vendor invoices that support annual chemical costs in the amount of \$1,272. The invoices should include the type, quantity, and unit price of the chemicals purchased.

b. Explain how Bush Gardens determines the quantity of the chemicals that are applied during the treatment process and the timing that those quantities are applied.

12. Refer to the Application, page 13 of 27, Item g.–Sludge Hauling.

a. Provide copies of vendor invoices to support Sludge Hauling in the amount of \$475. These invoices should detail the date, cost, and quantity of sludge hauled.

b. State the area of the plant that excess sludge accumulates that must be removed and explain the reasons why this sludge accumulates.

c. Explain how Bush Gardens determines that excessive sludge has accumulated to the point that it must be removed.

13. Refer to the Application, page 13 of 27, Item h.–Regulatory Commission Expense.

a. Provide a copy of the billing documents from DOW that support the amount of the \$2,200 KPDES permit fee.

b. Provide a copy of the cancelled check(s) used to pay the \$2,200 KPDES permit fee.

14. Refer to the Application, page 13 of 27, Item i.–Maintain Structures and Improvements.

a. Provide copies of vendor invoices that support the requested maintenance expense in the amount of \$1,240. These invoices shall include the vendor's name, a description of the services and/or products for which the invoice was issued, the date that the service and/or products were provided, and a notation that

states the date the invoice was paid and the check number used by Bush Gardens to pay the invoice.

b. Provide an explanation of the need for the services and/or products that are included on each invoice provided in response to Item 14.a. of this request.

15. Refer to the Application, page 13 of 27, Item j.–Depreciation.

a. Provide documentation to support the “Cost-of-Plant” and the cost of the Fence in the amounts of \$25,000 and \$1,000, respectively.

b. Provide a schedule of utility plant in service and related depreciation in the most detailed format available.

16. Refer to the Application, page 13 of 27, Item k.–Property Tax.

a. Provide a copy of the last property tax bill that was issued to the owner of the Bush Gardens Plant prior to its transfer to Bush Gardens. This property tax bill should include the plant’s assessed tax value and the tax liability calculated on the assessed value.

b. Confirm that the pro forma property tax of \$100 is an estimate that is not based on the actual original cost of the treatment plant.

c. Provide the basis for the estimated property tax of \$100.

17. The “Statement of Disclosure of Related Party Transactions” states that structure and repairs of \$1,240 and chemicals of \$1,272 were obtained from a related party, Tri-County Concrete, Inc. Provide documentation to show that the cost of these related party transactions are reasonable.

18. Refer to the Application, pages 9 of 27, 11 of 27, and 22 of 27.

a. Explain why the rate requested by Bush Garden is stated at \$194.61 on pages 9 and 11, but is stated at \$195.20 in the proposed tariff provided on page 22.

b. State the amount of the rate for which Bush Gardens seeks approval from the Commission.

19. Refer to the Application, page 23 of 27.

a. Provide cost justifications for the charges of Item C—Special Non-recurring Charge Amounts, Connection Inspection Fee.

b. Item D—Connection Inspection Charges, states “that all connections to the sewer line shall be inspected by the sewer utility at a charge of \$75.” Is there an anticipation of adding new customers to the sewer line?

20. Refer to the Application, page 24 of 27, Item G.—Sewer Lines. Provide an explanation for the statement that “[i]f a governmental agency requires an inspection of the customer’s plumbing, the Utility shall not connect the customer’s service pipe until it has received notice from the inspection agency certifying that the customer’s plumbing is satisfactory.”

21. Refer to the Application, page 26 of 27, Item L.—Discontinuance of Service by Utility.

a. Provide an explanation for the statement that “[t]he utility may refuse or discontinue service to an applicant or customer after proper notice, for failure to comply with its rules and regulations or state and municipal rules and regulations, when a customer or applicant refuses or neglects to provide reasonable access to the premises.”

b. To what state or municipal rules are you specifically referring in this statement?

c. To what type of circumstance are you referring in the need for the utility to gain access to the customer's premises?

d. How will the customer be notified by the utility if any of these circumstances prompts the utility to seek to discontinue the customer's service?

e. What time line will be given to the customer to rectify any situation that has occurred in relation to this portion of the policies proposed by the utility?

f. How will the utility discontinue service?



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cc: Parties of Record

Case No. 2015-00306

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