

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF KNOTT COUNTY)	
WATER AND SEWER, INC. AND)	
TROUBLESOME CREEK ENVIRONMENTAL)	CASE NO.
AUTHORITY, INC. FOR AN ORDER)	2015-00301
APPROVING THE TRANSFER OF OWNERSHIP)	
AND CONTROL OF A JURISDICTIONAL ASSET)	

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO KNOTT COUNTY WATER AND SEWER DISTRICT AND
TROUBLESOME CREEK ENVIRONMENTAL AUTHORITY, INC.

Knott County Water and Sewer, Inc. ("Knott District") and Troublesome Creek Environmental Authority, Inc. ("Troublesome Creek") (collectively "Joint Applicants"), pursuant to 807 KAR 5:001, shall file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days from 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.

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 Joint Applicants fails or refuses to furnish all or part of the requested information, Joint Applicants shall provide a written explanation of the specific grounds for their 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, 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. Identify the number of licensed wastewater operators Knott District currently employs and provide each licensed operator's current work-schedule hours. Include copies of the operators' wastewater certifications in this response.

2. In Case No. 2010-00017,¹ Troublesome Creek estimated that the proposed wastewater facilities would cost approximately \$4,263,817 to construct; however, in its 2014 Annual Report² Troublesome Creek reports Utility Plant in Service of \$4,838,561. Provide a detailed explanation for the difference between the estimated construction costs and the actual amount reported in the 2014 Annual Report.

¹ Case No. 2010-00017, *Application of Troublesome Creek Environmental Authority, Inc., a Public Non-Profit Corporation, for a Certificate of Public Convenience and Necessity to Construct Facilities and to Operate, for Initial Rates, and for Authority to Incur Indebtedness* (Ky. PSC Feb. 16, 2010) at 2.

² *Annual Report of Troublesome Creek Environmental Authority, Inc. c/o KRADD to the Public Service Commission for the Calendar Year Ended December 31, 2014*

3. On pages 17 and 18 of its 2013 Annual Report, Troublesome Creek divides its plant's original cost of \$4,838,561 into the subsidiary accounts 310 – Land and 311 – Structures and Improvements. Separate the original cost of each component of wastewater utility plant using the plant subsidiary accounts listed in the table below as required by the Uniform System of Accounts.

Account No.	Subsidiary Account Titles
301.0	Organization
302.0	Franchises and Consents
303.0	Miscellaneous Intangible Plant
310.0	Land and Land Rights
311.0	Structures and Improvements
352.1	Collection Sewers - Force
352.2	Collection Sewers - Gravity
353.0	Other Collection Plant Facilities
354.0	Services to Customers
355.0	Flow Measuring Devices
362.0	Receiving Wells and Pumps Pits
363.0	Pumping Equipment - (A-Electric, B-Diesel, C-Other)
372.0	Oxidation Lagoon
373.0	Treatment and Disposal Equipment
374.0	Plant Sewers
375.0	Outfall Sewer Lines
376.0	Other Treatment and Disposal Plant Equipment
391.0	Office Furniture and Equipment
392.0	Transportation Equipment
393.0	Other General Equipment

4. In Case No. 2010-00017, Troublesome Creek proposed to fund the construction of the Ball Creek wastewater facilities as follows:

Kentucky Infrastructure Loan	\$ 1,500,000
United States Army Corps of Engineers Grant	500,000
Kentucky General Assembly Appropriation	1,425,000
Kentucky Local Government Economic Development Grant	<u>838,817</u>
Total Funding Sources	<u>\$ 4,263,817</u>

a. Provide an updated schedule that separately lists each funding source that was used by Troublesome Creek to construct the Ball Creek wastewater

facilities. For each source listed, identify the type (i.e., loan, grant, etc.), and the amount received. The total for this schedule should equal the reported plant's original cost of \$4,838,561.

b. Provide a copy of the contract or agreement for each funding source listed in the schedule provided in the response to Item 5.a.

c. Explain why the loans or grants used by Troublesome Creek to fund the construction of the Ball Creek wastewater facilities were not recorded by Troublesome Creek on its balance sheet.

5. Refer to the Application, Exhibit 2, Agreement of Sale and Transfer ("Agreement") at 5, and Exhibit G, January 4, 2012 letter from Western Pocahontas Properties ("Western Properties").

a. Western Properties agreed to advance \$40,000 to Troublesome Creek to fund "the cost of start-up and initial operating expenses for the Ball Creek Wastewater Treatment facility." The \$40,000 payment would be treated as advanced or pre-paid tap fees and would be applied as directed by Western Properties. Explain why the \$40,000 tap-fee advance from Western Properties was not recorded by Troublesome Creek as a liability on the Balance Sheet.

b. Given that the \$40,000 tap-fee advance has not been recorded by Troublesome Creek as a liability, explain why it is appropriate for Knott District to assume this potential liability as a condition of the proposed asset transfer.

c. Explain how Troublesome Creek spent the \$40,000 it received from Western Properties.

6. Refer to the Application at 2 and the Agreement at 4. As noted on page 2 of the Application, Troublesome Creek was created “by joint action of the fiscal courts of Knott, Perry and Breathitt Counties to improve water quality of the Troublesome Creek watershed.” Page 4 of the Agreement states that Knott District will pay an annual stipend of \$7,500 to Troublesome Creek “for corporate governance purposes which are necessary for TEA to maintain its good standing as a public entity.”

a. Knott District was to begin paying the \$7,500 stipend to Troublesome Creek on October 1, 2014. Did Knott District pay the stipend on that date? If not, when does Knott District expect to make the initial payment?

b. Since the \$7,500 stipend is necessary to sustain Troublesome Creek's continued efforts to expand in all three counties, explain why it is appropriate for only an entity from Knott County to pay the entire fee, rather than for all three counties to contribute the stipend equally.

c. State whether Knott District or Troublesome Creek has contacted the fiscal courts of Knott, Perry, and Breathitt counties to see if they are willing to contribute toward the \$7,500 stipend paid for Troublesome Creek's continuance.

d. Provide all correspondence between Troublesome Creek and/or Knott District and the fiscal courts of Knott, Perry, and Breathitt counties wherein payment of the continuance stipend was discussed.

e. Provide an itemized list of the costs that were incurred by Troublesome Creek in calendar year 2014 that would be recovered through the \$7,500 stipend from Knott District.

7. On page 2 of the Application, Joint Applicants state that Troublesome Creek's monthly income from the Ball Creek Plant is approximately \$844 and the monthly operational costs are approximately \$1,608. Considering that current revenues are sufficient to pay only one-half of the operating expenses, explain why Knott District agreed to pay the \$7,500 stipend to Troublesome Creek, increasing the monthly operating expenses by \$625 ($\$7,500 \text{ Stipend} \div 12 \text{ Months}$).

8. On page 4 of the Application, Joint Applicants state that the rates that will be charged to the Troublesome Creek's customers will be lowered to the sewer rates currently charged by Knott District subsequent to the asset transfer. Provide the estimated monthly revenues that will be generated from the Troublesome Creek's customers after the rate decrease is implemented.

9. Explain why it is prudent for Knott District to lower the rates charged to the Troublesome Creek customers when the existing rates do not produce revenues sufficient to pay the expenses Knott District will incur to operate the Ball Creek wastewater facilities.

10. Refer to page 26 of Troublesome Creek's 2014 Annual Report.

a. Troublesome Creek reports Income from NonUtility Operations of \$109,070. Provide an itemized list of the amounts that were recorded in this account and include a detailed description for each identified item.

b. Explain whether Knott District will receive any of the revenues identified in the response to 11.a. after the asset transfer.

11. Refer to page 28 of Troublesome Creek's 2014 Annual Report.

a. Troublesome Creek reports Maintenance of General Plant of \$114,661. Provide an itemized list of the amounts that were recorded in this account and include a detailed description for each identified item.

b. Explain whether Knott District will incur any of the expenses identified in the response to 11.a. after the asset transfer.

12. At page 2 of the Application, Troublesome Creek states that it currently provides wastewater service to 28 customers; however, at page 36 of its 2014 Annual Report, Troublesome Creek claims to have 53 customers. Identify the correct number of customers that Troublesome Creek is currently serving.



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Public Service Commission
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DATED SEP 17 2015

cc: Parties of Record

Case No. 2015-00301

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